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RUSSIAN LAW JOURNAL (RLJ)

An independent, professional peer-reviewed academic legal journal.

Aims and Scope

The *Russian Law Journal* is designed to encourage research especially in Russian law and legal systems of the countries of Eurasia. It covers recent legal developments in this region, but also those on an international and comparative level.

The RLJ is not sponsored or affiliated with any university, it is an independent All-Russian interuniversity platform, initiated privately without any support from government authorities.

The RLJ is published in English and appears four times per year. All articles are subject to professional editing by native English-speaking legal scholars. The RLJ is indexed by Scopus and ESCI Web of Science.

Notes for Contributors

The RLJ encourages comparative research by those who are interested in Russian law, but also seeks to encourage interest in all matters relating to international public and private law, civil and criminal law, constitutional law, civil rights, the theory and history of law, and the relationships between law and culture and other disciplines. A special emphasis is placed on interdisciplinary legal research.

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Citations in footnotes must conform to *The Bluebook: A Uniform System of Citation*. A References section is required: entries must conform to the author-title system, such as that described in the *Oxford Style Manual*.

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ARTICLES

INTERNATIONAL FINANCIAL STANDARDS IN THE GLOBAL LEGAL ORDER AND IN EU AND EAEU LAW

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The global financial crisis strengthened the role of international financial standards in global commercial architecture and outlined the specialization of standard-setting bodies. These standards may be transposed in international agreements or be implemented in the legal order of states and state communities (such as the European Union (EU) and the Eurasian Economic Union (EAEU)). The development of standard-setting bodies and the evolving process of soft law rulemaking have led to the establishment of a specific mechanism, which may be called "the soft law mechanism." The authors argue that this mechanism includes several components: normative (IFS), institutional (SSBs), controlling (peer reviews), and assuring (implementing incentives) components. However, despite the rising influence of international financial standards, a strict boundary between soft and hard law should be established. This article outlines these boundaries and justifies the use of the term soft law. In post-crisis global financial regulation, the role of soft law has increased not only in the financial market but also in the field of monetary regulation. Along with the traditional mechanisms of financial support from the International Monetary Fund (IMF), states may use alternative bilateral and regional mechanisms. At the level of integration associations, soft law manifests in different ways. In the EU, despite the expansion of its field of action, soft law is purely an auxiliary element of the Union's legal system. In EAEU law, the mechanism of soft-law regulation can be considered promising, given the peculiarities of the integration model.

Keywords: international financial standards; standard-setting bodies; global financial architecture; soft law; international financial institutions; peer reviews; monitoring of implementation; International Monetary Fund.

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Introduction

The development, adoption, and monitoring of the implementation in national legal systems of various kinds of recommendatory acts in the financial sphere are the core and primary method of harmonizing the influence exerted by international intergovernmental and non-governmental organizations. Such acts are called international financial standards;[1] they, according to some authors, represent the most crucial element of the so-called global financial architecture[2] or, in other words, the international economic, legal order. The implementation of international financial standards in national legal systems and the legal systems of integration associations (for example, the European Union (EU) and the Eurasian Economic Union (EAEU)) is one example of the impact of so-called *soft law* on the international financial system.[3]

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1 The Compendium of Standards, Financial Stability Board (Jun. 10, 2020), available at http://www.financialstabilityboard.org/cos/index.htm.

2 *International Monetary and Financial Law: The Global Crisis* (M. Giovanoli & D. Devos (eds.), Oxford: Oxford University Press, 2010).

3 Christopher J. Brummer, *How International Financial Law Works (and How it Doesn't)*, 99(2) Georgetown Law Journal 257 (2011); Rolf H. Weber, *Does Financial Law Suffer from a Systemic Failure? A Study of the Fragmentation of Legal Sources* in *International Economic Law After the Global Crisis: A Tale of Fragmented Disciplines* 33 (C.L. Lim & B. Mercurio (eds.), Cambridge: Cambridge University Press, 2015); Friedl Weiss, *The Device of Soft Law: Some Theoretical Underpinnings* in *The Changing Landscape of Global Financial Governance and the Role of Soft Law* 47 (F. Weiss & A.J. Kammel (eds.), Leiden; Boston: Brill Nijhoff, 2015);

Most EU regulations and directives in the field of financial regulation refer in the preamble or text of the act to various international financial standards. These standards are highly respected and are the result of the consensus of the regulators of the leading countries of the world. Therefore, they give EU acts special significance and testify to the special quality of financial regulation in integration associations. For example, in paragraph 1 of the preamble of the basic EU Regulation establishing prudential requirements for banks and investment firms, there is a reference to the Basel standards approved by the Basel Committee on Banking Supervision.[4]

The EAEU legal acts contain multiple references to international financial standards and international best practice, which aim to synchronize projects in the EAEU financial market with the rules of the game established by global financial regulators. At the same time, it is assumed that Member States should take into account these soft-legal provisions when harmonizing national legislation.

Such inclusion of recommendatory norms in acts of secondary law of the EU is the most common way international financial organizations influence the legal orders of states and integration associations in the modern world. In international practice, the inclusion of provisions developed by international standard-setters in internal law and order is called "implementation," although it is obvious that in this case, we are dealing with the phenomenon of the transformation of non-obligatory norms into mandatory rules (a kind of "hardening" of soft law norms), which has a certain specificity in comparison with the implementation of international treaty norms.

In the first section of the article, we will outline our position concerning the term soft law and show the relationship between soft law and the international legal order. In the second section, we will consider the composition of international financial lawmakers and the mechanism for the implementation of their acts, and in the third, we will reveal the incentives for such implementation. In the fourth section, we will demonstrate the importance of international financial standards in monetary affairs. The standards' significance for EU and EAEU law will be considered in the fifth and sixth sections, respectively, and some results will be summarized in the conclusion.

Christian Tietje, *The Role of Law in Monetary Affairs: Taking Stock* in *The Rule of Law in Monetary Affairs: World Trade Forum* 11, 37–38 (T. Cottier et al. (eds.), Cambridge: Cambridge University Press, 2014); *Коннов В.А.* О роли «мягкого» международного права в регулировании межгосударственных отношений по предупреждению и преодолению финансово-экономических кризисов // Евразийская адвокатура. 2014. № 3(10). С. 78–83 [Valery A. Konnov, *On the Role of Soft International Law in the Regulation of Interstate Relations for the Prevention and Overcoming of Financial and Economic Crises*, 3(10) Eurasian Advocacy 78 (2014)]; *Кудряшов В.В.* Мягкое право как метод регулирования международных финансовых отношений в зарубежной доктрине международного финансового права // Финансовое право. 2013. № 4. С. 8–12 [Vladislav V. Kudriashov, *Soft Law as a Method of Regulating International Financial Relations in a Foreign Doctrine of International Financial Law*, 4 Financial Law 8 (2013)].

4 Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (Jun. 10, 2020), available at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32013R0575.

1. "Soft Law" Phenomenon

The term "soft law" is used to denote the entire array of norms that are not legally binding and do not impose international legal obligations on states. J. Klabbers considers this term to be misleading since it assumes that the law can have different levels of binding force (the author cites the properly concluded international treaty and the standards developed by the Basel Committee); in addition, according to the researcher, this term is useless since it does not say anything about why certain verbal expressions are perceived as law and require a level of compliance (possibly "soft"), while others are perceived differently.[5]

Nevertheless, we argue that the term "soft law" has the right to exist for several reasons. First, the term is very convenient for delimiting mandatory legal norms and those that are recommendations. The rules of an international treaty, say the GATS in terms of regulating financial services, impose obligations on states, but the Basel Committee on Banking Supervision standards do not. We can only talk about a certain influence of non-binding norms on the international legal order, about the use of soft law norms as models for regulation of the financial sphere in national legal systems, and about the use of the recommendations of international organizations as guidelines for consideration in international legal disputes.

Second, nothing prevents us from distinguishing between the so-called "soft law" in the science of international law and other non-binding norms of international behaviour from morality or political politeness (for example, using the criterion of the source of soft law norms) Finally, purely for pragmatic reasons, due to the widespread use of the term, it is more advisable to agree on its scope than to exclude it altogether.

Interestingly, J. Klabbers goes further in his reasoning and proposes to declare any rule as biding until proven otherwise, that is, to establish the presumption that any rule is legal.[6] It is hardly possible to agree with such a proposal because the consent of states is a necessary condition for the formation of a norm of international law, and J. Klabbers' proposal destroys this basis of international legal rule-making, based on the principle of sovereign equality. Additionally, about financial issues, the optionality of international financial standards is initially declared in the constituent documents developing institutions, for example, the Financial Stability Board[7] or the Basel Committee,[8] so the "Klabbers presumption" in this case is immediately

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5 Jan Klabbers, *International Law* 41 (2nd ed., Cambridge: Cambridge University Press, 2017).

6 *Id.* at 42.

7 Financial Stability Board, Charter of the Financial Stability Board (June 2012), Art. 23 (Jun. 10, 2020), available at https://www.fsb.org/wp-content/uploads/FSB-Charter-with-revised-Annex-FINAL.pdf.

8 Clause 3 of the Basel Committee Charter states that it does not have any formal supranational powers, and its decisions have no legal force. *See* Basel Committee Charter, Bank for International Settlements (Jun. 10, 2020), available at https://www.bis.org/bcbs/charter.htm.

refuted. S. Donnelly notes that since various guidelines, principles, and standards are developed as soft law, they are outside the scope of international law.[9] The same conclusion is reached by E. Milano and N. Zugliani regarding acts of soft law emanating from trans-agency networks such as the Basel Committee.[10]

G. Tunkin, describing the formation of norms in international law, indicates that there are so-called subsidiary processes, "which are certain stages of the formation of an international legal norm, but which, however, do not complete this process."[11] The scientist, in particular, ascribes resolutions of the U.N. General Assembly and recommendations of specialized international organizations to subsidiary processes.[12]

We note that the provisions of international financial standards may not become international law at all; such provisions are initially aimed at changing domestic law, and in most cases, their purpose is not interstate relations. Thus, we contend that the phenomenon of international financial standards consists of the fact that by not being the norms of international law and representing recommendations, they seem to overleap the international legal level and find embodiment in national law.

2. Standard-Setting Bodies

The "parents" of international financial standards are various *international institutions* (organizations, associations, bodies, committees, etc.), united by the common name standard-setting bodies (SSB). The terms "transnational networks" and "multilayered governance" are also used in the literature.[13] In the list of SSBs[14] indicated on the website of the Financial Stability Board (FSB), 16 such institutions are shown. Some of these

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9 Shawn Donnelly, *Financial Stability Board (FSB), Bank for International Settlements (BIS) and Financial Market Regulation Bodies* in *Research Handbook on the European Union and International Organizations* 360, 361 (R.A. Wessel & J. Odermatt (eds.), Cheltenham: Edward Elgar, 2019).

10 Enrico Milano & Niccolò Zugliani, *Capturing Commitment in Informal, Soft Law Instruments: A Case Study on the Basel Committee*, 22(2) Journal of International Economic Law 163 (2019).

11 *Тункин Г.И.* Теория международного права [Gregory I. Tunkin, *Theory of International Law*] 75 (Moscow: Zertsalo, 2009).

12 *Id.* at 143–159.

13 Joseph J. Norton, *Comment on the Developing Transnational Network(s) in the Area of International Financial Regulation: The Underpinnings of a New Bretton Woods II Global Financial System Framework*, 43(1) International Lawyer 175 (2009); Kal Raustiala, *The Architecture of International Cooperation: Transgovernmental Networks and the Future of International Law*, 43(1) Virginia Journal of International Law 1 (2002); Kern Alexander, *Global Financial Standard Setting, the G10 Committees, and International Economic Law*, 34(3) Brooklyn Journal of International Law 861 (2009); Rolf H. Weber, *Multilayered Governance in International Financial Regulation and Supervision*, 13(3) Journal of International Economic Law 683 (2010); Annamaria Viterbo, *The European Union in the Transnational Financial Regulatory Arena: The Case of the Basel Committee on Banking Supervision*, 22(2) Journal of International Economic Law 205, 207 (2019).

14 For a complete list, *see* the Financial Stability Board website (Jun. 10, 2020), available at http://www.financialstabilityboard.org/cos/wssb.htm.

associations are called organizations: the International Organization of Securities Commissions (IOSCO), the Organization for Economic Co-operation and Development (OECD), and the International Organization of Pension Supervisors (IOPS). Some are called committees: the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI), and the Committee on the Global Financial System (CGFS). There are four boards: the International Accounting Standards Board (IASB), the FSB; the International Auditing and Assurance Standards Board (IAASB) and the Islamic Financial Services Board; there are also two associations: the International Association of Insurance Supervisors (IAIS) and the International Association of Deposit Insurers (IADI). The remaining four are the International Monetary Fund (IMF), the World Bank (WB), the Financial Action Task Force on Money Laundering (FATF), and the Joint Forum (JF), which addresses issues in three financial services sectors (banks, insurance companies, and securities markets).

The members of some of the listed institutions (OECD, IMF, WB, and FATF) are states, or national central banks (for example, the BCBS, CGFS, and CPMI) are declared as members, the latter can be supplemented by national government bodies with powers in the financial sector (in the Financial Stability Board, for example, the European Commission and the ECB represent the European Union).[15] The members of some institutions include various professional associations (for example, in the IAASB[16]), and the IOSCO grants special "affiliate membership" status to certain exchanges and self-regulatory organizations of stock market participants (in the EU, the European Fund and the Asset Management Association have this status[17]). Such institutions are often members of each other.

Several of these institutions (IMF, OECD, and WB) are classic intergovernmental organizations that have all the attributes developed by the doctrine.[18] Some of the "international financial rule-makers" may be classified as international non-governmental organizations (for example, the IAASB), and some institutions have mixed status. For example, it can be assumed that the FSB (like its legal predecessor, the Financial Stability Forum) was created based on an informal international agreement reached by the heads of state and government at the G20 forum[19] (the FSF was created at the G7 forum).

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15 *See* International Standard-Setting and Other Bodies, Financial Stability Board (Jun. 10, 2020), available at http://www.fsb.org/about/fsb-members/#standard.

16 *See* International Auditing and Assurance Standards Board, Responding to the Needs of an Interconnected World, 2012 IAASB Annual Report, at 21 (Jun. 10, 2020), available at http://www.ifac.org/sites/default/files/publications/files/IAASB%20ANNUAL-2012-V10-SPREADS.pdf.

17 *See* Affiliate Members of IOSCO, International Organization of Securities Commissions (Jun. 10, 2020), available at http://www.iosco.org/about/?subsection=membership&memid=3.

18 For the composition of these characteristics, *see, e.g.*, Курс международного права: Понятие, предмет и система международного права: в 7 т. Т. 1 [*Course of International Law: The Concept, Subject, and System of International Law. In 7 vols. Vol. 1*] 175–176 (R.A. Mullerson & G.I. Tunkin (eds.), Moscow: Nauka, 1989).

19 Relevant examples have existed before. *See Id.* at 20, 42.

Since its members are government bodies and national banks with public authority, it can be said that this body serves as a tool for coordinating the will of states whose interests are represented by the relevant authorities. However, the deliberate non-binding provisions of the FSB charter[20] and its registration as an association in Swiss law[21] hardly allow this institution to be called a full-fledged international intergovernmental organization.[22] J. Wouters and J. Odermatt note that while the WTO, the World Bank, and the IMF are still important institutions in managing the global economy, there is a shift towards informal intergovernmental bodies, such as the G20 and the FSB.[23]

The charters of individual IOs (for example, the IMF and IBRD) contain rules on the adoption of decisions by a majority vote and even on a weighted voting system. Separate international agreements on the establishment of IOs contain blatantly clear provisions on the binding force of decisions taken by their bodies (*see*, for example, cl. 5 of the Convention on the Organisation for Economic Co-operation and Development, 1960), while the binding force of the decisions of other IOs is implied. We note here that under the Vienna Convention on the Law of Treaties (Art. 5), the provisions of this Convention apply to international organizations without prejudice to the rules of such organizations, i.e. in the event of a conflict between the Vienna Convention and the rules of an international organization, the latter will apply. Furthermore, such rules refer to not only the constituent agreements of the international organization but also the acts it has developed.

In some cases, the "rule maker of standards" does not have the rights of a legal entity (Basel Committee on Banking Supervision). The participants in some "rule makers" may not be states or government bodies at all, for example, the IASB, whose members are national accounting associations and in the framework of which international financial reporting standards are developed and implemented in the EU[24] and in most countries of the world. Speaking on institutions integrating regulatory and supervisory bodies and central banks, A. Viterbo notes that such

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20 Article 23 of the Charter expressly states that it is not intended to create legal rights and obligations. *See* Charter of the Financial Stability Board, *supra* note 7.

21 *See* Financial Stability Board, Meeting of the Financial Stability Board in Zürich on 28 January, Press Release, 28 January 2013 (Jun. 10, 2020), available at http://www.financialstabilityboard.org/press/pr_130128.pdf.

22 We should note that the IOSCO was also registered as a non-profit private organization in Canada and then changed its location to Madrid, Spain. *See* International Organization of Securities Commissions, Annual Report 2012, at 72 (Jun. 10, 2020), available at http://www.iosco.org/annual_reports/2012/pdf/annualReport2012.pdf.

23 Jan Wouters & Jed Odermatt, *Comparing the 'Four Pillars' of Global Economic Governance: A Critical Analysis of the Institutional Design of the FSB, IMF, World Bank and WTO*, 17(1) Journal of International Economic Law 74 (2014).

24 Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (Jun. 10, 2020), available at https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32002R1606.

organizations (the author calls them "networks") enjoy a high level of independence from government directives and political influence.[25]

All of these associations have a developed mechanism for monitoring the implementation of their recommendations in the national legislation of Member States. Such a mechanism has various names (peer reviews,[26] monitoring of implementation, financial system assessment program, report on compliance with standards and codes), but the essence of all these procedures is the same: an international organization, independently or with the involvement of representatives of Member States' financial departments, reviews the implementation of the norms of the recommendations and publishes the corresponding report.

Under the provisions of the FSB Charter[27] and the FSB Framework for Strengthening Adherence to International Standards,[28] the FSB member countries periodically participate in the IMF–World Bank Financial Sector Assessment Program (FSAP), submit Reports on Observations of Standards and Codes (ROSC) and carry out the FSB country reviews (in the three years after completing the FSAP or ROSC), which assess the degree of implementation of international standards and principles in the financial sector.

The Financial Sector Assessment Program (FSAP), launched in 1999, is a comprehensive and in-depth assessment of a country's financial sector. The FSAP analyses the sustainability of the financial sector, the quality of regulation and supervision, and the potential for managing and resolving financial crises. It develops micro- and macroprudential recommendations based on country specifics.

The FSAP is a key tool for IMF supervision, contributing to the Article IV consultations[29] under the IMF's Articles of Agreement[30]. In jurisdictions with systemically significant financial markets, an assessment of financial stability by FSAP is a mandatory measure under Article IV of the Fund's Charter[31] and should be carried out every five years; for other jurisdictions, participation in the program is voluntary.

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25 Viterbo 2019, at 207.

26 Peer Reviews, Financial Stability Board (Jun. 10, 2020), available at http://www.fsb.org/what-we-do/implementation-monitoring/peer_reviews/.

27 Charter of the Financial Stability Board, *supra* note 7.

28 Financial Stability Board, FSB Framework for Strengthening Adherence to International Standards, 9 January 2010 (Jun. 10, 2020), available at https://www.fsb.org/wp-content/uploads/r_100109a.pdf?page_moved=1.

29 International Monetary Fund, Guidance Note for Surveillance Under Article IV Consultations, 10 October 2012 (Jun. 10, 2020), available at http://www.imf.org/external/np/pp/eng/2012/101012.pdf.

30 International Monetary Fund, Articles of Agreement (1944; reprinted, March 2020) (Jun. 10, 2020), available at http://www.imf.org/external/pubs/ft/aa/pdf/aa.pdf.

31 On 6 December 2013, the Executive Board of the IMF reviewed the implementation of the decision of September, 2010 to integrate financial stability assessment under the FSAP into Article IV of the IMF's Articles of Agreement for member countries with systemically important financial sectors. According to the IMF, the decision to make the FSAP financial stability assessment mandatory for these countries led to more complete implementation of a risk-based approach to financial sector supervision and better FSAP integration in the framework of Article IV consultations in jurisdictions.

In emerging market countries (which include Russia), the FSAP is conducted jointly with the World Bank. In these countries, the FSAP assessment has two components: the financial stability assessment, which is the responsibility of the IMF, and the financial development assessment, which is the responsibility of the World Bank.

The Reports on the Observance of Standards and Codes (ROSC) is the second IMF implementation monitoring program that summarizes the extent to which countries adhere to internationally recognized standards and codes. The IMF has identified 12 areas and related standards as useful for analysis by the IMF and the World Bank.[32] Country compliance reports are prepared and published at the request of member countries.

The BCBS has its own Basel III implementation level monitoring program, the Regulatory Consistency Assessment Program (RCAP), which is supported by the Financial Stability Board. In 2012, the BCBS began to implement this program to monitor the progress of countries in implementing internal regulations, to assess the countries' compliance and to analyse the results of regulation.[33]

RCAP and ROSC are complementary banking supervision programs. RCAP focuses on the implementation of Basel III components in terms of consistency and completeness, while the assessment of Core Principles for Effective Banking Supervision within ROSC takes into account the full range of supervising practices and is carried out within the broader context of financial stability risk analysis.

The goal of the BCBS is to ensure the consistent implementation of Basel III through RCAP and thus, ultimately, to contribute to global financial stability.[34]

The monitoring program conducted by another committee of the Bank for International Settlements–the Committee on Payments and Market Infrastructures (CPMI)–is multi-level. The subject of the monitoring is the implementation level of the Principles for Financial Market Infrastructures (PFMI).[35]

The FATF Recommendations provide for the need to monitor and evaluate national systems in accordance with FATF requirements. The organisation uses the methodology of mutual evaluation for assessing technical compliance with the FATF Recommendations and the effectiveness of the AML/CFT systems[36] of states.[37]

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32 These areas include the following: accounting; audit; AML/CFT; banking supervision; corporate governance; data dissemination; fiscal transparency; insolvency and protection of the rights of creditors; insurance supervision; transparency of monetary and financial policies; payment systems; and regulation of operations with securities.

33 Basel Committee on Banking Supervision, Regulatory Consistency Assessment Programme (RCAP): Handbook for Jurisdictional Assessments (March 2016) (Jun. 10, 2020), available at https://www.bis.org/bcbs/publ/d361.pdf.

34 *Id.*

35 Committee on Payments and Market Infrastructures, Technical Committee of the International Organization of Securities Commissions, Principles for Financial Market Infrastructures (April 2012) (Jun. 10, 2020), available at http://www.bis.org/cpmi/publ/d101a.pdf.

36 Official site of the FATF (Jun. 10, 2020), available at http://www.fatfgafi.org/publications/mutualevaluations/?hf=10&b=0&s=desc(fatf_releasedate).

37 Financial Action Task Force, Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (February 2013) (Jun. 10, 2020), available at

The monitoring of the compliance of national jurisdictions with global financial standards by the Group of Twenty and the FSB can be considered second-level monitoring, as it is carried out "on top" of SSB monitoring. Thus, in October 2019, the FSB issued the fifth consecutive Report on Implementation and Effects of the G20 Financial Regulatory Reforms.[38]

The report contains a table showing the status of the FSB member countries implementing various international financial standards in FSB initiatives in "priority areas": the Basel III standard, standard for the payment of remuneration to managers of financial institutions, provisions on over-the-counter derivatives, restoring financial stability, and non-bank financial mediation. Interestingly, the report is presented only for FSB Member States, including the EU Member States (France, Germany, Italy, the Netherlands, Spain, and the UK); the EU as a whole is not specified.

The objectives of the FSB reviews are to encourage cross-national and cross-sectoral implementation, assess (where possible) the extent to which standards and policies have achieved results, identify gaps and weaknesses in the addressed areas, and provide recommendations for potential monitoring (including the development of new standards) by FSB members.

To understand the structure of the financial market and the typology and risk distribution in its sectors, the FSB's monitoring of the so-called "non-bank financial intermediation" sector has great significance. As part of this monitoring, the FSB annually publishes the global monitoring report on non-bank financial intermediation.[39]

As stated above, the most popular mechanism for monitoring the implementation of recommendations is peer-review assessment. The peer-review procedure means that a professional assessment of an institution is carried out by peers, colleagues, and other participants. For example, an assessment of the implementation of U.S. international financial standards was carried out by a commission chaired by a representative of the Central Bank of Germany,[40] and an assessment of the state of macroprudential stability and disclosure of financial sector information in France was carried out by the Director of the Department of the Bank of Mexico.[41] The IMF and World Bank assess financial compliance under the ROCS program[42] and the FSAP.[43]

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http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatfissuesnewmechanismtostrengthenmoneylaunderingandterroristfinancingcompliance.html.

38 Financial Stability Board, Implementation and Effects of the G20 Financial Regulatory Reforms, 5th Annual Report, 16 October 2019 (Jun. 10, 2020), available at https://www.fsb.org/wp-content/uploads/P161019.pdf.

39 Financial Stability Board, Global Monitoring Report on Non-Bank Financial Intermediation 2018, 4 February 2019 (Jun. 10, 2020), available at https://www.fsb.org/wp-content/uploads/P040219.pdf.

40 Financial Stability Board, Peer Review of the United States, 27 August 2013 (Jun. 10, 2020), available at https://www.fsb.org/wp-content/uploads/r_130827.pdf.

41 Financial Stability Board, Peer Review of France, 20 July 2017 (Jun. 10, 2020), available at https://www.fsb.org/2017/07/peer-review-of-france/.

42 *See* Reports on the Observance of Standards and Codes (ROSCs), International Monetary Fund (Jun. 10, 2020), available at http://www.imf.org/external/NP/rosc/rosc.aspx.

43 *See* Financial Sector Assessment Program (FSAP), International Monetary Fund (Jun. 10, 2020), available at http://www.imf.org/external/np/fsap/fssa.aspx.

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