FSB FINANCIAL STABILITY BOARD

FSB Work Programme for 2021

20 January 2021

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Introduction

The Financial Stability Board's (FSB) work programme for 2021 reflects a strategic shift in priorities in the COVID-19 environment. The work programme aims to maximise the value of FSB work to foster global financial stability while preserving the capacity for the FSB to respond to new issues that may emerge. The FSB will reinforce its forward-looking monitoring of developments to identify, assess and address new and emerging risks to global financial stability, and continue to assess the functioning of the regulatory framework put in place after the 2008 global financial crisis.

This note summarises the ongoing and planned FSB initiatives in 2021 organised by (1) priority areas of work and new initiatives; (2) work programme items that are continuing or reaching completion; and (3) regular monitoring and reporting. The Annex provides an indicative timeline of the FSB's publication planned for 2021.

1. Priority areas of work and new initiatives

Supporting international cooperation and coordination on the COVID-19 response. The FSB, with its broad and diverse membership of national authorities, international standard setters and international bodies, continues to promote financial stability during market stress related to COVID-19.

This work will continue to include: assessments of vulnerabilities in the global financial system; sharing information on policy responses; assessing their effectiveness and coordinating the future timely unwinding of the temporary measures taken; and monitoring, with the standard-setting bodies (SSBs), the use of flexibility and consistency of policy responses with existing international financial standards.

- Work on COVID-19 responses will continue in a flexible mode, including on specific COVID-19 related vulnerabilities and policy issues, and be adjusted as needed.

- As a new project, the FSB will work with SSBs to assess initial lessons learnt from COVID-19 for financial stability, and report them to the G20.

Enhancing the resilience of the non-bank financial intermediation (NBFI) sector, while preserving its benefits. The FSB's holistic review of the March market turmoil[1] lays out a comprehensive and ambitious work programme for strengthening the resilience of NBFI. The FSB will coordinate and oversee work on NBFI under this programme for 2021 and beyond, which will be carried out within the FSB as well as by SSBs and international organisations over the next two years.

- Work in 2021 will focus on the specific issues identified in the holistic review, including money market funds (MMFs), open-ended funds, margining practices, liquidity, structure

[1] FSB (2020), *Holistic Review of the March Market Turmoil*, 17 November.

and resilience of core bond markets, and cross-border USD funding. The FSB will also launch an evaluation on the effects of G20 financial reforms on bond market liquidity.

- Key deliverables under the NBFI work programme in 2021 are policy proposals to enhance MMF resilience and a report on progress in the work programme for strengthening NBFI resilience.

Enhancing central counterparty (CCP) resilience, recovery and resolvability. The recent periods of market turmoil have demonstrated the benefits that central clearing brings for global financial stability. However, the shift to central clearing has also further increased the systemic importance of CCPs. The international policy framework for CCPs needs to reflect the evolving role of central clearing in order to address risks to financial stability in an effective manner.

To this end, the Chairs of the FSB, Committee on Payments and Market Infrastructures (CPMI), International Organisation of Securities Commissions (IOSCO) and of the FSB Resolution Steering Group propose to collaborate on and conduct further work on CCP financial resources.

- Work will consider the need for, and develop as appropriate, international policy on financial resources in recovery and resolution to further strengthen the resilience and resolvability of CCPs. This would include assessing whether any new types of pre-funded resources would be necessary to enhance CCP resolvability.

Enhancing cross-border payments. In October 2020, the FSB published a roadmap to address challenges and frictions in existing cross-border payment systems and processes.[2] The FSB will coordinate with CPMI and other SSBs and international organisations in implementing the roadmap to enhance cross-border payments. Also, building on its October 2020 report,[3] the FSB will continue discussions of regulatory and supervisory approaches with respect to stablecoins.

- In 2021, the FSB will have to complete a number of actions under the roadmap, including the development of quantitative targets for the roadmap, a stocktake of data frameworks and exploration of the scope for, and obstacles to develop, a global digital Unique Identifier.

- G20 deliverables are: an update report on the implementation of the roadmap; the delivery of targets for G20 endorsement; and a report on regulatory and supervisory approaches with respect to stablecoins.

Climate change and sustainable finance. Recent work by the FSB has focused on how climate risks might impact, or be amplified by, the financial system.[4] Building on this work, the FSB will assess the availability of data through which climate-related risks to financial stability could be monitored, as well as any data gaps.

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2 FSB (2020), *Enhancing Cross-border Payments: Stage 3 roadmap*, 13 October.

3 FSB (2020), *Regulation, Supervision and Oversight of "Global Stablecoin" Arrangements*, 13 October.

4 FSB (2020), *The implications of climate change for financial stability*, 23 November.

Globally consistent and comparable disclosures by companies of their climate-related financial risks are increasingly important to market participants and financial authorities as a means to give financial markets the information they need to manage risks, and seize opportunities, stemming from climate change**.**

- The FSB will explore with SSBs and other international bodies ways to promote globally comparable, high-quality and auditable standards of disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).[5]

- The FSB will report to the G20 Finance Ministers and Central Bank Governors meeting on progress in the area of the financial implications of climate change and sustainable finance in July 2021.

- The FSB will review, and potentially develop principles or recommendations on, regulatory and supervisory approaches to addressing climate risks at financial institutions.

2. Continuation and completion of ongoing financial stability work

Benchmark transition. During 2020, the disruption to global financial markets associated with the COVID-19 pandemic has further highlighted the fundamental weaknesses in LIBOR and reinforced the critical importance of the FSB's efforts to reform the production and use of global interest rate benchmarks. The FSB has published a roadmap with a timetable of actions for financial and non-financial sector firms to take in order to ensure a smooth LIBOR transition by end-2021. Failure to prepare adequately for the transition can disrupt the performance of financial contracts and give rise to financial stability risks.

The FSB, as part of its work on strengthening the robustness and reliability of benchmarks, will therefore continue to support transition away from LIBOR to more robust benchmarks.

- The FSB will monitor market participants' readiness and give guidance to ensure a smooth transition to the new financial benchmarks, and report on transition progress to the G20.

Digital innovation, and cyber and operational resilience. The FSB will continue its work on topics relating to the financial stability, regulatory and supervisory implications of FinTech, including regulatory and supervisory issues associated with the use of artificial intelligence and machine learning, RegTech, SupTech and BigTech. The FSB will also conduct further work on enhancing cyber resilience and explore the scope for convergence in the regulatory reporting of cyber incidents as well as any potential revisions to the FSB Cyber Lexicon.[6]

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5 TCFD (2017), *Recommendations of the Task Force on Climate-related Financial Disclosures*, 29 June.

6 FSB (2018), *Cyber Lexicon*, 12 November.

- The FSB will take stock of current practices across sectors and jurisdictions regarding the reporting of cyber incidents for regulatory purposes, and explore if and where greater convergence of reporting practices could be achievable.

- The SRC will hold a virtual outreach with external stakeholders on its November 2020 discussion paper on *Regulatory and supervisory issues relating to outsourcing and third-party relationship*[7] in early 2021.

Financial stability surveillance framework. The FSB will resume its project to develop a comprehensive and methodical surveillance framework for assessing financial system vulnerabilities, including by identifying new and emerging risks to financial stability, which was suspended as part of the FSB's reprioritisation of work in light of COVID-19.

Market fragmentation. Addressing, or avoiding, harmful market fragmentation cuts across a range of FSB initiatives. The FSB will continue to discuss issues and policy developments that are relevant to addressing market fragmentation, including updates from IOSCO on its work following the publication of June report *Good Practices on Processes for Deference*.[8]

Completing post-crisis financial reforms. The COVID-19 pandemic confirmed the importance of crisis management preparedness and recovery and resolution planning. A focus of continuing work is on the full implementation of the Key Attributes of Effective Resolution Regimes for Financial Institutions across sectors and the availability and allocation of loss-absorbing resources consistent with the FSB TLAC standard.

3. Regular monitoring and reporting on financial stability issues

- The FSB will continue to contribute to the biannual Early Warning Exercise conducted jointly with the International Monetary Fund (IMF).

- The FSB will also publish a streamlined version of its annual Global Monitoring Report on NBFI.

- The FSB and SSBs will continue to monitor implementation of G20 reforms, in a streamlined manner, through regular progress reports, assessments and peer reviews.

- The FSB will continue to encourage consistent application of accounting and auditing standards and enhanced audit quality.

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7 FSB (2020), *Regulatory and supervisory issues relating to outsourcing and third-party relationships*, 9 November.

8 Such IOSCO work will focus on: supervisory cooperation in terms of the use of Memoranda of Understanding; as well as whether and how existing supervisory colleges currently achieve their stated goals and, if appropriate, identify ways to increase their use in other areas of securities markets.

Annex: Indicative time of key FSB publications planned for 2021

Date	Report	Comment
February	Country peer review of Indonesia	
March	Country peer review of the United Kingdom	
April	Factors to be considered to prepare for an orderly unwinding of COVID-19 support measures	G20 deliverable
	Final report of the evaluation of TBTF reforms for banks	G20 deliverable
May	Quantitative targets for cross-border payments roadmap: Consultative document	
June	Practices paper for operationalising bail-in execution	
July	Policy proposals to enhance MMF resilience: Consultative report	G20 deliverable
	Lessons learnt from the COVID Event: Interim report	G20 deliverable
	Report on availability of data on climate-related financial stability risks and data gaps	G20 deliverable
	Promotion of globally comparable, high quality and auditable standards of disclosure in sustainability reporting	G20 deliverable
	Progress report on implementation of benchmark reform	G20 deliverable
October	Policy proposals to enhance MMF resilience: Final report	G20 deliverable
	Report on progress in the NBFI work programme	G20 deliverable
	Annual report on implementation and effects of financial regulatory reforms	G20 deliverable
	Lessons learnt from the COVID Event: Final report	G20 deliverable
	Progress report on the regulation, supervision and oversight of global stablecoins	G20 deliverable
	Report on cyber incident reporting	G20 deliverable
	Quantitative targets for cross-border payments roadmap: Final report	G20 deliverable
	Progress report on implementation of the cross-border payments roadmap	G20 deliverable
November	Identification of G-SIBs for 2021	
	2021 Resolution Report	
December	Annual Global Monitoring Report on NBFI	
	Report on financial resources for CCP resolution	