

To G20 Leaders

The Financial Stability Board (FSB) plays a central role in safeguarding global financial stability. It aims to provide the G20 with a clear picture of the key global financial stability risks and how to address them with coordinated action. In doing so, the FSB helps create the foundations for growth – an objective which is receiving renewed attention across G20 economies.

The last fifteen years have seen a fall in growth in many G20 economies. A common, but not universal, feature has been lower growth in productivity as a consequence of more subdued investment. Alongside this, many G20 countries have ageing populations, which has consequences for labour supply and public expenditure.

Trade, and an open global economy, is another well-established source of productivity growth. Greater economic openness has played a part in expanding trade and reducing global poverty, but we have also seen more challenges to the pattern of trade balances and imbalances.

This long run trend of lower growth reduces fiscal space and the speed of economic activity, which also matters for monetary policy. Restoring and improving economic growth is therefore a critical objective.

Finance has an important role to play in this objective, as does financial stability. There cannot be sustained growth without financial stability. It supports the investment that drives productivity growth, innovation and competitiveness within our economies.

Likewise, sustained and sustainable growth supports financial stability, so there is a virtuous circle. This is especially important at times of high uncertainty and large shocks to economies, of the sort we have experienced in recent years. On this front, there is a good story to tell. These big shocks have not caused a loss of financial stability, as had been the case in previous times. The supply of credit to economies – a critical test of financial stability – has, for the most part, been maintained.

But that does not mean everything is perfect, and now is the right time to look at how we can modernise the regulation of financial services to support growth without sacrificing financial stability.

Strengthening implementation of global standards

These objectives define an important part of the work programme of the FSB. Full, timely, and consistent implementation of G20 financial reforms since the financial crisis has not been achieved, for instance Basel III. The interim report of the FSB's Implementation Monitoring Review, commissioned by the G20, and delivered to G20 Finance Ministers and Central Bank Governors in October, identified significant gaps. The next phase of this work will look deeper

into where implementation was not achieved and make recommendations to strengthen the FSB's implementation monitoring processes.

Understanding and responding to changes in the financial system

Nonbank financial intermediation

Another critical part of the FSB work programme derives from the fundamental changes in finance that have emerged in recent years. Our duty is to ensure that we understand their nature, the implications of these changes, and how they fit with maintaining financial stability.

Over recent years we have seen the growth of financing provided by nonbanks relative to that provided by banks. In government bond markets, the footprint of nonbanks using leveraged trading strategies has increased in several segments – such as the primary and secondary markets, and in futures markets – with a substantial proportion of activity being implemented on a cross-border basis. Alongside this change in markets, in many countries there has been a substantial increase in government borrowing, both in absolute terms and relative to private-sector debt creation. Working with member authorities, the FSB is assessing the implications of these changes for financial stability. Our July 2025 recommendations on leverage in nonbanks are a key step forward in this regard.

Alongside the major changes in government bond markets, we have seen the growth of private assets (i.e. private equity and private credit), again in the nonbank part of the financial system. Private assets are more opaque – the clue is in the name – and private credit markets have grown significantly across jurisdictions, with the aggregate size estimated to be approximately \$2 trillion¹. Private assets can provide many benefits, but their opacity, scale, and linkages with the rest of the financial system means that we must, and will, continue to assess their potential impact on financial stability. This will be an important part of the FSB's surveillance work in the year ahead.

The growing nonbank finance sector continues to be closely interconnected with the banking system. The form of these connections is changing but their significance may, if anything, have increased. An important focus for the FSB must therefore be on how these changes affect the resilience of the financial system and its ability to support our economies.

Cross-border payments

Payments are another area of rapid change. Cross-border payments remain slow, expensive and inefficient. The FSB and its partners have made progress in developing international policies and tools, and we are seeing some improvements, for example a reduction in costs in some of the most expensive regions and improvements in speed and cost in certain segments. However, the current trajectory of change will not deliver the improvements that G20 members have targeted. We therefore need to urgently accelerate implementation. In some areas more can be done to improve payments infrastructures and policies. But critical issues also remain

¹ IMF (2025) *Global Financial Stability Report*, October.

in national policies, such as capital controls and related processes, which constrain progress. We will continue working to draw attention to these issues and drive implementation of the G20 Roadmap.

Digital assets

New forms of payments and settlement are also emerging in what is a highly dynamic landscape. An important area here is what can broadly be described as crypto assets. I would distinguish between those crypto assets which do not claim to have an assured value and are purported financial investments, and those that do claim to have an assured value and are thus more likely to be used in payments.

Stablecoins, particularly those backed by fiat or high-quality liquid assets, are probably the best example of this second group. They purport to have an assured nominal value, a critical characteristic of money. For payments, this is essential to ensure public trust, and it is important that authorities carefully consider how frameworks are designed to ensure they are effective, consistent, and supportive of safe innovation. Divergences in regulatory and prudential frameworks across jurisdictions could add an additional layer of complexity and potential risk; it will be equally important to consider how stablecoins can operate effectively and safely across borders. The FSB's work programme for the year ahead will include a focus on stablecoins and other forms of payment.

Conclusion

The FSB is operating in a world of considerable challenge, both in terms of seeking stronger economic growth and responding to a high pace of change in the world of finance. We will continue to support G20 member countries in responding to these challenges, maintaining financial stability, and ensuring that finance serves the broader goal of sustainable economic growth.

Yours sincerely,

A handwritten signature in black ink, reading "Andrew Bailey". The signature is written in a cursive, flowing style with a large initial 'A' and 'B'.

Andrew Bailey