



## To G20 Finance Ministers and Central Bank Governors

The outlook for the global economy is characterised by shifting financial conditions and geopolitical uncertainty. Against this backdrop, it is important that we remain attentive to global financial stability, which is indispensable for economic growth. Under the G20's leadership, and working through our members, the FSB has developed extensive reforms in recent years to enhance resilience by addressing key financial system vulnerabilities. When fully implemented, the reforms will contribute to a financial system that is better able to absorb adverse shocks and to facilitate economic activity. That is because our reforms target not only safety and soundness, but also support innovation by providing clarity on policy approaches for emerging topics like crypto-assets.

The FSB's priorities under the South African G20 Presidency reflect our progress. While there remains much still to do, with key reforms developed or nearing completion, the FSB is naturally shifting toward a greater focus on the promotion and monitoring of implementation. This work will take a prominent role in 2025 as we deliver to the G20 an interim report as part of a strategic review of 15 years of monitoring reform implementation.

The FSB will also remain proactive in assessing financial system vulnerabilities. This includes work to address data and information gaps in non-bank financial intermediation, which have impeded the effective assessment of relevant vulnerabilities and the formulation of proportionate policy responses.

Technological innovation will be another area of focus in 2025, to ensure that the benefits of innovations are being harnessed without the creation of undue risk.

The rest of this letter will set out in more detail the work underway at the FSB this year and its relevance to international financial stability.

### Implementation

Implementation is crucial to our work, because it bridges the gap between policy development and real-world impact. It ensures that policies are not just adopted but are also effectively put into practice, leading to tangible improvements in financial stability while facilitating economic growth. Our recently published *Evaluation of the Effects of the G20 Financial Regulatory Reforms on Securitisation*, for example, found that these reforms have contributed to the resilience of the securitisation market without strong evidence of material negative side-effects on financing to the economy.

This year, our work on implementation monitoring includes: a strategic review of the FSB's monitoring of 15 years of implementation of reforms – launched at the request of the South

African G20 Presidency – and a peer review on implementation of the FSB’s global regulatory framework for crypto-asset markets and activities and global stablecoin arrangements. The 15-year strategic review will provide valuable insights into the effectiveness of the monitoring of post-global financial crisis regulatory reforms and identify areas where improvements can be made in the tools we use to ensure consistent, global implementation of agreed reforms.

## Cross-border payments

Progress has been made on completing the priority actions under the *G20 Roadmap to Enhance Cross-border Payments*. As the work has advanced, many structural issues have become apparent that require concerted efforts to resolve. Addressing these issues calls for significant additional work up to and beyond 2027. Your continued leadership, to encourage national authorities and others to take the necessary steps at the local level, will help to achieve global progress. This is because the initiation and final receipt of cross-border payments typically involves payment systems and frameworks at the domestic level. Achieving progress also requires sustained private sector engagement and investment.

Going forward, our focus on global trends and averages will be complemented by a spotlight on regional developments, particularly in those jurisdictions, regions and segments that are most affected by frictions in cross-border payments. In October, we will report on progress towards the G20’s goal of making cross-border payments faster, cheaper, more transparent, and accessible. Our focus this year is on improving the end-user experience, coordinating closely the work of the Bank for International Settlements Committee on Payments and Market Infrastructures (CPMI) and other partner organisations, to push towards this shared goal.

## Non-bank financial intermediation (NBFi)

Enhancing the resilience of the NBFi sector has been a longstanding priority on the FSB’s agenda. Our global monitoring report on NBFi shows that this sector accounts for almost half of global financial assets, underlining its importance for the financing of the real economy. Several additional recommendations to address systemic risk in NBFi have been agreed upon since the market turmoil which occurred at the onset of COVID. These include enhancing money market fund (MMF) resilience, further addressing liquidity mismatch in open-ended funds (OEFs), and enhancing margining practices and liquidity management across these and other NBFi sectors. In July, we will deliver recommendations to address financial stability risks from leverage in NBFi. It remains critical that authorities implement these policies at the domestic level to enhance the resilience of the NBFi sector.

But as this sector continues to grow and evolve, so too does the need to enhance the monitoring of risks and the preparedness of authorities and market participants to respond to periods of market stress. In our work on NBFi, including on OEFs, MMFs, margin preparedness, and leverage, we have encountered similar challenges related to NBFi data. Our work plan for this year aims to examine the most salient of these data challenges so that we can better understand and mitigate vulnerabilities in the NBFi sector.

## Digital innovation

The rapid pace of digital innovation presents both opportunities and challenges for the financial system. This year, the FSB will deliver to the G20 a thematic peer review on implementation of the FSB's crypto-asset recommendations and a report on how authorities in the financial sector can monitor AI adoption and assess related vulnerabilities. The FSB will also continue work on enhancing operational and cyber resilience. We will finalise the format for operational incident reporting exchange (FIRE), including cyber incidents, which promotes common information elements in order to facilitate faster and more efficient cooperation and coordination among authorities in response to operational incidents. FIRE will be delivered to the G20 in April.

## Climate-related financial risks

The impact of climatic events and developments poses risks to the financial system, and it is therefore essential to incorporate these risks into our financial stability assessments and policy frameworks. The FSB's work on climate this year will focus on operationalising our analytical framework and toolkit to better assess such vulnerabilities and risks to global financial stability. We will also work with our members to develop a medium-term work plan and provide a progress report on actions taken by the FSB and other organisations in the four areas of the *Roadmap for Addressing Climate-related Financial Risks*. This work will help to ensure that the financial system is resilient to such risks.

## Conclusion

The FSB's work programme for this year shows our continued commitment to assessing vulnerabilities, advancing reforms to strengthen the resilience of the global financial system, and promoting the implementation of those reforms across our members. Given the challenges facing the global economy, this work is as important as ever. I look forward to further collaboration among the FSB membership in 2025 to promote international financial stability.

Yours sincerely,



Klaas Knot

## Annex - FSB reports to the G20 in 2025

Date	Report
April	Final Format for Incident Reporting Exchange (FIRE)
July	NBFI leverage policy recommendations – final report  Workplan to address issues related to non-bank data availability, use and quality  Climate roadmap progress report
October	Vulnerabilities associated with the use of artificial intelligence in finance  Thematic peer review of crypto-assets recommendation implementation  Implementation monitoring review progress report  Cross-border payments roadmap progress and KPI monitoring report (combined)