

## Press release

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### FSB Chair writes to G20 Leaders ahead of the New Delhi Summit

- ***FSB Chair warns that the higher interest rates that have been necessary to address inflation, alongside a slowing growth outlook, could impair the capacity of borrowers to service historically high levels of debt.***
- ***Work to address financial stability risks associated with leverage in the non-bank financial intermediation (NBFi) sector will be a major focus of FSB policy work in 2024.***
- ***A separate letter calls for continued support from Leaders as work to enhance cross-border payments shifts towards implementing practical projects in partnership with the private sector.***

The Financial Stability Board (FSB) today published two letters from its Chair, Klaas Knot, to G20 Leaders ahead of their Summit in New Delhi on 9-10 September.

The first letter outlines the work the FSB has undertaken under the Leadership of India's G20 Presidency to address existing vulnerabilities in the financial system and enhance the resilience of the financial system to structural change.

The letter notes the challenging backdrop of strong and persistent inflation and slowing growth, and warns that rising interest rates could impair the capacity of borrowers to service the historically high stock of global debt. He calls on authorities to closely monitor asset quality in those sectors most sensitive to higher interest rates, such as real estate. The letter highlights concerns over the build-up of leverage in the NBFi sector, described in a report being delivered to the Summit, and notes that addressing these risks will be a major focus of NBFi policy work next year.

The March banking-sector turmoil constituted a test of the financial reforms put in place following the 2008 crisis. It exposed vulnerabilities in individual institutions relating to poor liquidity and interest rate risk management and governance, and reinforced the need for strong and effective supervision and The FSB and the Basel Committee on Banking Supervision (BCBS) are examining the implications of these issues to identify lessons and adjust policy frameworks where needed. The FSB remains convinced that the international resolution framework developed by the FSB in the aftermath of the 2008 Global Financial Crisis is fit for purpose, but we have identified a number of implementation challenges that need to be addressed. To this end, the FSB will soon publish a report on preliminary lessons learned for resolution and policy priorities going forward.

The letter outlines the FSB's work to address the financial stability implications of two secular trends – digitalisation and climate change. In response to the former, the FSB delivered to the G20 in July a set of recommendations for the regulation, supervision and oversight both of crypto-assets and markets and of global stablecoin arrangements. The FSB is now working with standard-setting bodies and international organisations to ensure that these recommendations are implemented globally. Recognising that crypto-assets raise both financial stability and macroeconomic risks, the FSB and IMF are delivering to the Summit a Synthesis Paper that brings together the risks identified by each institution and how they interact. The paper also includes a roadmap for future work.

Accelerating digitalisation across the financial system has improved efficiencies but also raised operational resilience challenges. For instance, the interconnectedness of the global financial system makes it possible that an incident at one financial institution, or at one of its third-party service providers, could have spill-over effects across borders and sectors. To address these risks the FSB issued in April recommendations to achieve greater convergence in cyber incident reporting frameworks. The FSB has also consulted on a policy toolkit that financial institutions and financial authorities can use to enhance their third-party risk management and oversight. The toolkit will be finalised in December.

In response to climate risks, the FSB is coordinating closely with standard-setting bodies and international organisations to implement the four building blocks of its Roadmap on Climate-related Financial Risks. An important milestone has been the publication of the International Sustainability Standards Board (ISSB)'s disclosure standards, which have been endorsed by the International Organization of Securities Commissions (IOSCO). The ISSB standards will strengthen the comparability, consistency and decision-usefulness of climate-related financial disclosures around the world. These standards can be seen as a culmination of the work of the FSB's Task Force on Climate-related Financial Disclosures (TCFD), which has made a major global contribution since its creation in 2015.

A second letter provides to G20 Leaders an update on the G20 Cross-border Payments Roadmap. The first phase – the initial set of actions set out in the 2020 Roadmap – has now largely been completed. This year, in the second phase, the authorities and standard setters have focussed their efforts on concrete projects that will make a difference across various parts of the cross-border landscape and on developing further the partnership with the private sector to work to achieve the Roadmap goals. The letter underscores the need for continued further political support and sustained effort by the public and private sectors in order to meet the G20 targets by 2027 to make cross-border payments cheaper, faster, more inclusive and more transparent. Leadership from the G20 has energised the public and private sectors and provided the political impetus, without which change will not happen.

The FSB will submit to the G20 Finance Ministers and Central Bank Governors in October its first report with data on progress toward the quantitative targets and its latest annual report on progress in the individual Roadmap actions.

## Notes to editors

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries

and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, [www.fsb.org](http://www.fsb.org).