FSB FINANCIAL STABILITY BOARD

Press release

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FSB Plenary meets in Frankfurt

The Financial Stability Board (FSB) Plenary met today in Frankfurt. The Plenary discussed preliminary lessons learned from the recent banking sector turmoil and the outlook for global financial stability. The Plenary also discussed the FSB's deliverables to the July G20 Finance Ministers and Central Bank Governors meeting.

Preliminary lessons learnt from recent banking turmoil

The Plenary discussed initial lessons learned for resolution from the recent bank failures and plans for further work. The events that occurred in the banking sector in the first quarter of 2023 in Switzerland, the US, and the UK constitute the first real test of the international resolution framework since the 2008 global financial crisis. The FSB is working closely with the standard-setting bodies to draw out these lessons and the associated policy implications. To do so, the FSB work programme has been reprioritised, including with an additional focus on the interactions between interest rate and liquidity risk across the financial system, the role of technology and social media in deposit runs and, in particular and as an early focus, on lessons for the resolution framework.

The resolution planning conducted by authorities over the past decade and close collaboration between authorities across jurisdictions through their crisis management groups, as well as the availability of loss-absorbing resources, had positioned the authorities to handle the failures of financial institutions. Indeed, the framework established by the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions provided the Swiss authorities with an executable alternative to the path that was eventually chosen. Nevertheless, the recent cases highlighted a number of issues relating to the effective implementation of the international resolution framework that merit further attention.

The FSB will conduct an in-depth review on lessons learnt for the resolution of G-SIBs and of systemically important banks more broadly. The work will explore effective public backstop arrangements; optionality in implementation of resolution strategies; the scope of resolution planning and loss-absorbing capacity requirements; the impact of digital innovation on resolution preparedness; and the role of deposit insurance in resolution arrangements. The FSB will publish a report on its findings by the end of the year.

Prior to these events, the FSB had already planned to conduct a peer review on the overall implementation of the too-big-to-fail reforms in Switzerland, and it expects to publish its findings by early 2024.

Financial stability outlook

Strong actions by relevant authorities and the existence of high capital and liquidity buffers in the banking sector have helped ease concerns about financial system resilience. However, there are continued concerns about the confluence of interest rate, liquidity and credit risks against a background of monetary tightening, high debt burden and economic slowdown. There is increasing evidence of slowing credit growth and pressures building in some jurisdictions' real estate and household sectors. In addition, volatile market conditions and rising interest rates could lead to strains in segments of non-bank financial intermediation (NBFI) that have high leverage and large liquidity mismatches. FSB members remain vigilant and stand ready to take policy measures to maintain the resilience of the global financial system.

The FSB consultation report published earlier this week on policies to address structural vulnerabilities arising from liquidity mismatch in open-ended funds is an important step forward, and the FSB looks forward to market dialogue on the policy proposals. Members also stressed the importance of other policy work to address systemic risk in NBFI, including with respect to non-bank leverage, margining practices and liquidity preparedness.

The FSB will deliver reports to the G20 in September on the financial stability risks of leverage in the non-bank sector and on progress on its work programme to enhance resilience in NBFI.

FSB roadmap for addressing financial risks from climate change

The Plenary discussed recent progress made on addressing financial risks from climate change, as outlined in the FSB Roadmap for addressing climate-related financial risks. A notable achievement has been the recent finalisation by the International Sustainability Standards Board (ISSB) of its climate-related and general sustainability-related disclosure standards, which will serve as a global framework for sustainability disclosures. The FSB looks forward to the International Organization of Securities Commissions consideration of endorsement of the standards. The ISSB sustainability disclosure standards are based on the recommendations of the FSB's Task Force on Climate-related Financial Disclosures (TCFD). The new standards can be seen as a culmination of the work of the TCFD, which developed voluntary disclosure recommendations for companies in 2017, at the request of the FSB, in order to address the fragmentation in reporting schemes at the time.

The Plenary thanked the TCFD for its work over the years and the major contribution it has made to the progress in improving climate-related financial disclosures around the world. It stressed the continued importance of monitoring and reporting on progress in companies' climate-related disclosures. Following the delivery of the TCFD's 2023 annual status report in September, the FSB asks the IFRS Foundation to take over the monitoring of the progress on companies' climate-related disclosures from the TCFD as of next year.

In July, the FSB will deliver to the G20 an updated Roadmap to reflect the progress made across a range of SSB and international organisations on climate-related financial risks.

Crypto-asset activities and markets

The Plenary approved the FSB crypto-asset and stablecoin high-level recommendations, which will be submitted to the G20 for endorsement this month. The recommendations establish a global regulatory framework to promote the comprehensiveness and international consistency of regulatory and supervisory approaches to both types of assets. The finalised high-level recommendations have been strengthened from the proposals that were issued for consultation in October 2022 to address vulnerabilities revealed by the failures of large crypto-asset intermediaries and other service providers. The FSB has been working closely with the standard-setters and international organisations to ensure that the work under way on the monitoring and regulation of crypto-asset activities and markets is coordinated and mutually supportive. Members discussed ways to promote their effective implementation across jurisdictions, including in jurisdictions beyond the FSB's membership, to mitigate the risks of crypto-asset activities and markets flowing to areas where regulation is less stringent.

Members discussed the risks to macroeconomic and financial stability posed by crypto-assets activities and markets, and they look forward to the publication later this year of the joint paper with the International Monetary Fund (IMF) that will synthesise the IMF and FSB policy recommendations and set out next steps for further work.

LIBOR

Members welcomed the final major milestone in the LIBOR transition with the end of the remaining US dollar LIBOR panels at end-June 2023.

Notes to editors

The *Key Attributes of Effective Resolution Regimes for Financial Institutions* set out the core elements that the FSB considers to be necessary for an effective resolution regime. The Key Attributes were adopted by the FSB in October 2011 as part of the package of policy measures developed following the Global Financial Crisis to address the problem of financial institutions that are "too big to fail".

The TCFD was established by the FSB in 2015 for the specific and time-limited task of developing a set of voluntary, consistent climate-related disclosure recommendations for use by companies. Since the publication of its recommendations in 2017, the TCFD has provided annual updates on progress in companies' climate-related disclosures. The latest TCFD status report was published in October 2022.

In October 2022, the FSB published, for public consultation, recommendations on the regulation, supervision and oversight of crypto-asset activities and markets and a review of the FSB high-level recommendations of the regulation, supervision and oversight of "global stablecoin" arrangements. The consultation period ended in December 2022 and the public responses are posted on the FSB website.

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.