

Press release

Press enquiries:
+41 61 280 8138
press@fsb.org

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FSB sets out action to maintain financial stability during COVID

The Financial Stability Board (FSB) today published a [letter from the FSB Chair](#), Randal K. Quarles, to G20 Finance Ministers and Central Bank Governors, ahead of their virtual meeting on 18 July 2020. The FSB also [delivered to the G20 a report](#) on the financial stability implications of, and policy measures taken in response to, the COVID-19 pandemic.

The **Chair's letter** sets out a number of areas of focus for the FSB during the COVID Event:

- **Assessing vulnerabilities during the current crisis.** Volatility in markets has decreased but may well return. The FSB has identified a number of priority areas that require further analysis, including, among others, risks related to liquidity stress; the debt burden of non-financial corporates; and effects of credit rating downgrades. The FSB's monitoring provides essential and near real-time input for policymakers to anticipate and address developing risks in the financial system.
- **Reinforcing resilient non-bank financial intermediation (NBFi).** Understanding risk, risk transmission, and policy implications for the NBFi sector is more important than ever. By the G20 Summit this November, the FSB will carry out a holistic review of the market turmoil in March. The FSB has also begun a mapping of the critical connections between the banking and non-bank sectors. This combined work will inform future steps of the FSB in 2021 under the Italian G20 Presidency to improve the resiliency of the NBFi sector while preserving its benefits.
- **Identifying and assessing policy responses.** The decisive immediate policy response has laid the ground for effectively containing the economic and financial fallout of the COVID Event. The FSB has been sharing information on policy responses and is identifying indicators to help assess the efficacy of policy actions. The FSB will also help coordinate supervisory and regulatory actions, including to take account of cross-border spillovers and promote a level playing field.
- **Monitoring consistency with standards.** Reflecting the FSB's commitment to agreed-upon financial reforms, it has compiled, in cooperation with standard-setting bodies (SSBs), the COVID Event actions taken by FSB members. This work evaluates the consistency of the member actions with agreed-upon financial reforms and the extent to which the actions have used the flexibility within international standards.
- **Using flexibility in standards and buffer use.** Most measures taken by FSB members have used the flexibility built into international standards, including regarding the use of capital and liquidity buffers. The FSB supports the Basel Committee statement that a measured drawdown of buffers is both expected and appropriate during the current period of stress.

The letter also emphasises the resolve to continue work the FSB already has begun to

strengthen the global financial system, including evaluating financial post-crisis financial reforms, supporting a smooth transition away from LIBOR and developing a roadmap to improve cross-border payments.

The **report to the G20** details COVID-related financial stability developments, policy measures taken and work to assess their effectiveness. It draws on the significant FSB work undertaken to assess vulnerabilities, consider policy responses under different recovery scenarios, and note where additional work may be necessary. This report also consolidates the extraordinary policy measures taken across the FSB's national membership and SSBs to address the financial fallout of the pandemic.

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 Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President, 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.