

Press release

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FSB Chair outlines work priorities for 2023

The Financial Stability Board (FSB) today published a letter from its Chair, Klaas Knot, to G20 Finance Ministers and Central Bank Governors, ahead of the G20 meeting on 24-25 February.

The letter notes the recent easing in global financial conditions but warns that, while expectations of a 'soft landing' for the global economy have grown, the outlook remains clouded by uncertainty. The combination of near record-high levels of debt, rising debt service costs and stretched asset valuations in some key markets could pose serious threats to financial stability. The letter lays out the FSB's work during 2023 to monitor and address these vulnerabilities and introduces three reports the FSB is delivering to this meeting on:

- **Non-bank financial intermediation (NBFI).** Addressing vulnerabilities in the non-bank sector is a key priority. The FSB report on the financial stability aspects of commodity markets identifies a number of vulnerabilities in commodity markets, such as concentration of activities and widespread use of leverage. The opacity of activities across physical and derivatives commodities markets hampers the assessment of vulnerabilities and make it difficult to quantify financial stability transmission channels.

Many of the vulnerabilities and channels of contagion analysed in the report are being addressed in the FSB's work programme to enhance the resilience of NBFI. Additional priorities, outlined in the letter, include an in-depth study of forms of non-bank leverage that are not always apparent in supervisory and regulatory data; policy work to address liquidity mismatch in open-ended funds; work to enhance market participants' liquidity preparedness for margin and collateral calls and to identify data gaps in regulatory reporting; and a peer review of money market fund policy reform measures.

- **Crypto-assets and decentralised finance.** The report on the financial stability risks of decentralised finance (DeFi) points to the fact that DeFi does not differ substantially from traditional finance in the functions it performs. DeFi inherits and may amplify the vulnerabilities of that system. Building on this work, the FSB will explore approaches to fill data gaps for risk monitoring and examine the extent to which its proposed crypto-asset policy recommendations may need to be enhanced to cover DeFi-specific risks.

The FSB will finalise by July this year its recommendations for the regulation, supervision and oversight of crypto-assets and markets and its recommendations targeted at global stablecoin arrangements. The FSB will also continue to conduct forward-looking analysis to assess the implications of crypto-assets for financial

stability, including an in-depth examination of the large crypto-asset intermediaries that provide a wide range of services to the ecosystem; and analysis of the increasing trend toward the tokenisation of assets and how that could affect financial stability.

- **Cross-border payments:** The FSB will publish a report later this week on implementation of the G20 Roadmap to enhance cross-border payments; a detailed set of next steps to achieve the Roadmap's goals, which will be accompanied by the establishment of two new taskforces to strengthen private sector participation in taking the Roadmap forward.

In addition, the FSB will continue its work to enable the financial system to adapt to structural changes.

- By furthering work to enhance **cyber and operational resilience**. In April, the FSB will deliver a revised report to the G20 on achieving greater convergence in cyber incident reporting. A consultative document will be sent to the July G20 meeting aimed at strengthening financial institutions' ability to manage third-party and outsourcing risk.
- By addressing **climate-related financial risks** through enhancements to disclosures, data and analysis of climate-related vulnerabilities. This includes work on how financial institutions can use transition plans for managing transition-related risks to financial stability.

The letter includes a list of work to be delivered to the G20 in 2023.

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.