

## Press release

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### FSB Plenary meets in Amsterdam

The Financial Stability Board (FSB) Plenary met today in hybrid format, with some members attending in person in Amsterdam and others attending virtually. The Plenary discussed the outlook for global financial stability against the backdrop of Russia's continuing war against Ukraine, as well as the FSB's planned contributions to the July G20 Finance Ministers and Central Bank Governors meeting in Indonesia.

#### Financial stability outlook

The Plenary discussed the outlook for financial stability and any actions needed to address identified vulnerabilities in the global financial system.

The combination of lower growth, rising inflation and tighter global financial conditions has created a more challenging environment for financial stability. Higher interest rates and lower asset prices may expose vulnerabilities accumulated in the financial system, and unexpected shifts in economic conditions may test financial resilience. The rise in indebtedness across sovereigns, non-financial corporates and households in response to COVID-19 exposes these sectors to rising debt service costs. Embedded leverage and liquidity mismatches in the financial system may add to vulnerabilities, as well as risks building up in real estate in a number of jurisdictions. A greater divergence of economic and financial conditions between advanced economies and emerging market and developing economies (EMDEs) could give rise to volatile capital flows and expose external vulnerabilities.

The Plenary also discussed financial aspects of commodity markets. Very volatile commodity prices may give rise to financial strains, through large margin calls, undetected leverage and concentrated exposures. By impairing the financing of the supply of key energy, base metal and food commodities, such strains may have a disproportionately large macroeconomic impact. In addition, there may be knock-on effects on the broader financial system.

These developments underline the need to reinforce global financial system resilience. This includes initiatives to assess and address vulnerabilities in non-bank financial intermediation (NBFI), as set out in the FSB's NBFI work programme. Moreover, members recalled the importance of rebuilding macroprudential policy space going forward, depending on national circumstances. The FSB has also intensified its monitoring of vulnerabilities, including work to obtain a more complete picture of leverage in the financial system.

## COVID-19 exit strategies and scarring effects

A speedy, sizeable and sweeping policy response has been key to limiting the economic fallout of the COVID-19 shock. More recently, however, weaker and more uneven growth and higher inflation exacerbate challenges in supporting a strong, equitable and inclusive recovery from the COVID-19 pandemic. These challenges come at a time when policy space is limited and firms and households have reduced financial buffers. They have contributed to a relatively weaker recovery, and greater risks of scarring, in EMDEs in particular. Plenary members shared their experiences in responding to these challenges.

The FSB will publish an interim report on COVID-19 exit strategies and scarring effects in July and will publish the final report, taking into account feedback from stakeholders, in October.

## Crypto-assets

Recent strains in crypto-asset markets – including a decline in the market value of stablecoins, the UST/Luna collapse and the de-pegging of Tether – have underlined many of the concerns that the FSB expressed in its February 2022 [risk assessment of crypto-assets](#). Indeed, these developments highlight the importance of policy actions to address the risks that crypto-assets pose and of the FSB’s work to coordinate regulatory initiatives in this area.

The Plenary discussed ongoing work on crypto-assets and the way forward, in light of recent developments. This work includes a review of its high-level recommendations on the regulation, supervision and oversight of “global stablecoin” arrangements and the exploration of regulatory and supervisory implications of “unbacked” crypto-assets. The FSB is also analysing the financial stability impacts of the Decentralised Finance (DeFi) sector.

## FSB roadmap for addressing financial risks from climate change

The need for action to address the financial risks from climate change is more urgent than ever. The sharp rise in the price of oil and gas and the current debate about energy policies in many jurisdictions underscore the importance of addressing the financial risks posed by climate change.

The Plenary discussed the encouraging progress that has been made under the [FSB Roadmap for addressing climate-related financial risks](#), which was published in July 2021. Nevertheless, the understanding of the financial risks arising from climate change and the policy approaches needed to address them remains at an early stage. The FSB Roadmap will support rapid progress in this regard over the coming year (and beyond), including strengthening the FSB’s engagement with the private sector.

The publication by the International Sustainability Standards Board (ISSB) in March of two Exposure Drafts, on climate and general sustainability-related disclosure standards, is a key milestone. Members reiterated the importance of comparable, consistent and decision-useful disclosures and expressed their support for finalising these baseline global disclosure standards.

A progress report on implementation of the FSB Roadmap will be submitted to the G20 meeting and published in July.

## Updates on other initiatives

Members received updates on other important FSB initiatives, including progress and next steps under the FSB-coordinated roadmap for enhancing cross-border payments and the way forward for achieving greater convergence in cyber incident reporting. The FSB will report to the G20 on both initiatives in October.

## 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).