26 May 2020

Virtual Meeting on Policy Responses to COVID-19

Tuesday 26 May 2020

Introductory remarks by the Himino Ryozo, Chair, FSB Standing Committee on Supervisory and Regulatory Cooperation

Thank you everyone for joining this conversation.

Facing the COVID-19 pandemic, the financial sector needs to meet three challenges: supporting the economy, sustaining itself, and preparing for the recovery. The official sector has strived to assist the private sector's efforts to meet these challenges.

National authorities have taken agile actions: there are already 1,600 policy actions registered in the FSB database. Standard-setting bodies issued a series of guidance to extend the implementation timelines and to encourage the use of flexibility.

Individual jurisdictions tailored their responses to their own conditions but have coordinated with each other with the following five principles in mind:

- First, we monitor and share information to address risks;
- Second, we use the flexibility built into existing financial standards;
- Third, we seek opportunities to temporarily reduce operational burdens on firms and authorities;
- Fourth, we act consistently with international standards, and will not roll back reforms; and
- Fifth, we will coordinate on the future timely unwinding of the temporary measures taken.

And these principles were endorsed by the G20 Finance Ministers and Central Bank Governors in April.

The global financial system has entered the crisis with much enhanced resilience, as a result of your efforts and the G20 regulatory reforms. We have to admit that the shock in March was beyond the self-healing ability of the market: massive central bank actions were required to end the heightened volatility. But the banking sector has continued to finance the real economy and, in late March, capital markets started to resume their normal functions. Financial market infrastructures, including CCPs, have functioned well, despite the challenging external conditions, both financial and operational.

But we cannot be complacent. The world still faces an unprecedented level of uncertainty. We need to be prepared for a wide range of scenarios. What I would like to discuss today is how we should act at different phases of the crisis under a range of scenarios.

Looking back, what lessons can we draw from the policy measures already taken? What measures seem to be working well and what are not? Have we observed operational frictions or obstacles, trade-offs and potential unintended effects? How can we enhance the effectiveness of the measures taken?

And looking forward, what kind of possible developments should we be attentive to? Which risks are you particularly worried about? Liquidity, solvency or operational risks? Under a range of scenarios, how can the official sector ensure financing to the economy, financial stability, and eventually, a strong recovery? How should we take into account intertemporal trade-offs and macroprudential effects arising from the feedback loop between the various segments of the financial system and the real economy? What roles should stress tests play?

The official sector side is represented today by central banks, regulatory authorities, finance ministries, the Basel Committee on Banking Supervision, the Committee on Payments and Market Infrastructures, the International Association of Insurance Supervisors and the International Organization of Securities Commissions. We are keen to hear your inputs to better discharge our policy work so that the efforts by the private and official sectors will work together well to help overcome the pandemic and ensure strong recovery.

I look forward to a rich discussion today.