

Press release

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FSB identifies preliminary lessons for financial stability from the COVID-19 experience

The Financial Stability Board (FSB) today published its Interim Report on the Lessons Learnt from the COVID-19 Pandemic from a Financial Stability Perspective. The report identifies preliminary lessons for financial stability and aspects of the functioning of the G20 financial reforms that may warrant attention at the international level.

The COVID-19 pandemic is the first major test of the global financial system since the G20 reforms were put in place following the financial crisis of 2008. Thus far, the financial system has weathered the pandemic thanks to greater resilience, supported by the G20 reforms, and the swift, determined and bold international policy response. Authorities broadly used the flexibility within international standards to support financing to the real economy. Monitoring and coordination, guided by the FSB COVID-19 Principles, has discouraged actions that could distort the level playing field and lead to harmful market fragmentation.

The COVID-19 experience reinforces the importance of completing remaining elements of the G20 reform agenda. Those parts of the global financial system where implementation of the reforms is most advanced displayed resilience. The functioning of capital and liquidity buffers may warrant further consideration, while some concerns about excessive financial system procyclicality remain.

The March 2020 market turmoil has underscored the need to strengthen resilience in non-bank financial intermediation. The FSB has developed a comprehensive work programme to enhance the resilience of the NBFIs while preserving its benefits.

The pandemic has also highlighted the importance of effective operational risk management arrangements, the need to enhance further crisis management preparedness, and the importance of promoting financial resilience amidst rapid technological change more generally.

COVID-19 may yet test the resilience of the global financial system. Banks and non-bank lenders could face additional losses as support measures are unwound. Addressing debt overhang, including by facilitating the market exit of unviable companies and by promoting the efficient reallocation of resources to viable firms, may be a key task for policymakers going forward.

The FSB will engage with external stakeholders on preliminary findings and issues raised in this report. The final report, to be delivered to the G20 Summit in October, will set out tentative lessons and next steps to address the identified issues.

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, Governor and Vice Chair for Supervision, US Federal Reserve; its Vice Chair is 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.