FSB report considers financial policy challenges in the wake of COVID-19

The Financial Stability Board (FSB) today published a report looking at financial policies in the wake of COVID-19 aimed at supporting equitable recovery and addressing the effects from scarring in the financial sector. The report considers policy challenges, including exit from COVID-19 policy support measures through, the lens of financial stability and the capacity of the financial system to finance strong and equitable growth.

The report notes that economic and financial market developments over the past few months have reinforced three challenges to policymakers noted in the FSB’s interim report to the G20: the need for sustained policy support amidst rising inflation and removal of monetary accommodation; the risk of negative cross-border spillovers from a deteriorating global recovery and diverging monetary and fiscal policy stances; and that vulnerabilities that support measures prevented from materialising may now come to the fore.

The report stresses that considerations about adjusting, amending and potentially exiting support measures should take these challenges into account, to support global economic recovery in the near term, and prevent financial stability impacts and scarring effects to sustainable growth over the long term. To this end, authorities should consider: (i) how to ensure the effectiveness of domestic policies, to make good use of, and re-gain as appropriate, policy space; (ii) how to contain cross-border spillovers; and (iii) how to address debt overhang issues and other potential vulnerabilities in the non-financial sectors that may create scarring effects on growth in the longer run. The report revisits these considerations in light of recent economic developments and stakeholder input received.

The FSB will continue to support a strong and equitable global recovery through intensive monitoring of vulnerabilities in, and assessments of the resilience of the global financial system; regular exchange of information and experiences with prudential policy measures; and finally, through the continuation of its work, in cooperation with IOSCO and other standard setters, to strengthen the resilience of non-bank financial intermediation (NBFI).

Notes to editors

The Indonesian G20 Presidency asked the FSB to report on exit strategies that support equitable recovery for financial stability. In July 2022, the FSB published an interim report on exit strategies to support equitable recovery and address effects from COVID-19 scarring in the financial sector. This final report updates the discussion of policy issues in light of economic developments over the past few months.
and financial market developments since July; reflects feedback received through stakeholder outreach; and sets out further steps that could be taken at the international level to aide jurisdictions in addressing the issues discussed in the report.

The FSB published a progress report on its NBFI work programme on 10 November 2022.

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.