

Press release

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Ref: 35/2023
14 November 2023

FSB Plenary meets in Basel

The Financial Stability Board (FSB) Plenary met yesterday and today in Basel. Members discussed the outlook for global financial stability, including issues of particular relevance to emerging market and developing economies (EMDEs). Members also agreed the FSB's work programme for 2024.

Financial stability outlook

The Plenary discussed the outlook for financial stability. While the banking system as a whole remains resilient, the Plenary discussed pockets of remaining banking-sector vulnerabilities, property markets and operational resilience.

After more than a decade of low interest rates, the financial system is transitioning to a higher interest rate environment, and this could bring macro-financial vulnerabilities back into focus. Private and public sector debt are at elevated levels in many countries, making the adjustment to higher rates challenging, including in EMDEs.

More fundamentally, the current tightening is occurring in a global financial system where the provision of finance through non-banks has become comparable in size to bank credit. Leverage and liquidity mismatches in non-bank financial intermediation could exacerbate market shocks. Members reiterated the importance of the FSB's work programme to enhance the resilience of non-bank financial intermediation (NBFIs). Members look forward to the finalisation of the FSB's policy recommendations to address structural vulnerabilities from liquidity mismatch in open-ended funds and stressed the need to continue to work in close coordination with IOSCO in this area.

Issues affecting EMDEs

The FSB held its annual EMDEs Forum to discuss issues of particular relevance to the EMDE members of the FSB and its six Regional Consultative Groups. The discussion focused on current vulnerabilities in EMDEs and issues related to progress in implementing the FSB high-level recommendations for crypto-assets and global stablecoin arrangements.

For many EMDEs, the high debt levels built up during a decade of low interest rates has become a particular concern. Plenary members discussed the impact of tightening financing conditions on EMDE borrowers. In addition, some EMDEs face a challenge from the combination of high government debt and large bank holdings of domestic government bonds.

Members discussed issues arising from the so-called “sovereign-bank nexus”, which may lead to speedier transmission of shocks between sovereigns and banks, and measures that could be taken to enhance the resilience of EMDEs against shocks.

The Plenary discussed the experiences of, and challenges faced by, EMDEs in implementing the FSB’s recommendations for the regulation, supervision and oversight of crypto-asset activities and markets and global stablecoin arrangements. Members noted that crypto-assets posed particular challenges for monetary policy and capital flow management in EMDEs. Members recognised the importance of further analysing these, and other, macro-financial implications of crypto-assets in EMDEs.

Implementation of resolution reforms

Resolution remains a priority for the FSB. This meeting focussed on the FSB’s work on insurance resolution.

In 2022, when the FSB decided to discontinue the annual identification of global systemically important insurers (G-SIIs), it committed to publish a list of insurers subject to the resolution planning standards of the *FSB Key Attributes of Effective Resolution Regimes for Financial Institutions*. Members agreed to provide an update on this work in the 2023 Resolution Report, which will be published shortly. In its 2022 decision, the FSB also agreed to base its considerations of systemic risk in the insurance sector on the International Association of Insurance Supervisors’ (IAIS) Holistic Framework. Based on a report from the IAIS, the Plenary discussed the assessment and mitigation of potential systemic risk in the insurance sector.

Implementation of crypto-asset recommendations

In July, the FSB delivered to the G20 a global framework with high-level recommendations for the regulation, supervision and oversight both of crypto-asset markets and activities and of global stablecoin arrangements. Members stressed the importance of global and consistent implementation of the FSB’s high-level recommendations, including in non-FSB jurisdictions, and of actions to guard against the risk of regulatory arbitrage, in cooperation with the standard-setting bodies and relevant international organisations.

Members discussed plans to promote the effective cross-border implementation of the recommendations, including considering the insights shared by EMDE members on the challenges they are facing in implementing these recommendations. Members examined work to build institutional capacity beyond FSB jurisdictions; promote coordination, cooperation and information sharing between jurisdictions; and address data gaps. Members emphasised the need to monitor progress of the implementation of the recommendations.

FSB work programme

Members discussed the FSB’s work programme for 2024, including deliverables to Brazil’s G20 Presidency. The FSB will continue to work on the lessons from the March turmoil and to monitor macro-financial vulnerabilities in a higher interest rate environment. The priorities for the FSB’s work include: (i) enhancing the resilience of the NBFIs sector; (ii) advancing work on the global regulatory and supervisory framework for crypto-asset markets and activities; (iii) addressing financial risks from climate change; (iv) enhancing cross-border payments; (v)

strengthening cyber and operational resilience; and (vi) financial innovation. The finalised work programme will be published in early 2024.

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.