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Press release

Press enquiries:
+41 61 280 8477
press@fsb.org

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FSB Chair reports to G20 Leaders ahead of the Rome Summit

The Financial Stability Board (FSB) today published a [letter from its Chair, Randal K Quarles, to G20 Leaders](#) ahead of their Summit in Rome this week.

The letter notes that the Rome Summit is taking place amid signs of the global economy recovering from the impact of COVID 19 and related containment measures (the COVID Event). At the same time, the global financial system confronts significant structural challenges. These include rapid technological innovations within the traditional financial sector as well as outside, such as in the form of various crypto-assets. They also include a growing focus on potential risks to financial stability from climate change.

During the 2021 Italian G20 Presidency, the FSB has continued to support policymakers in preserving financial stability during the COVID Event and laying the foundation for a more efficient and resilient financial system in the future. The FSB has done so in two key ways. First, by setting out lessons for financial stability made apparent by the COVID Event, which define a path forward for the G20 on financial stability policy. Second, by coordinating international work on key structural issues, not least through the [FSB roadmap to address climate-related financial risks](#) and by taking forward the [roadmap to enhance cross-border payments](#).

The FSB Chair charts a path forward for addressing future threats to financial stability that emerge. This year, the FSB published its new comprehensive, disciplined and forward-looking systematic [Financial Stability Surveillance Framework](#), which will further increase the effectiveness of vulnerabilities and the timeliness of follow-up actions. The effectiveness of the FSB during the COVID Event as a mechanism for financial stability has come from the FSB institutional process for international coordination and cooperation and its broad and diverse membership.

The letter is Mr Quarles' final one to the G20 before his 3-year term as FSB Chair ends on 1 December.

Lessons learnt report

Accompanying the Chair's letter to G20 Leaders is a [report on lessons learnt from COVID-19 from a financial stability perspective](#), which the FSB also published today. The report, updates the assessment provided in the July interim report and outlines actions by the FSB and other standard-setting bodies in response to those lessons.

Key lessons and actions include:

- **Market and institutional resilience.** The functioning of bank capital and liquidity buffers may warrant further attention; the Basel Committee on Banking Supervision will update its overall analysis on the lessons from the pandemic. The March 2020 market turmoil underscored the need to strengthen resilience in the non-bank financial intermediation sector; the FSB is taking forward a comprehensive work programme. Some concerns about possible excessive procyclicality in the financial system remain; standard-setters will take forward work in procyclicality in margining practices and the Basel Committee will further monitor expected credit loss provisioning.
- **Operational resilience.** COVID-19 has highlighted the importance of effective operational risk management being in place before a shock hits. The FSB will develop best practices for the types of information authorities may require related to cyber incidents to promote financial stability. The FSB is also launching further work related to third-party risk management and outsourcing, and will develop expectations for financial authorities' use in oversight of financial institutions' reliance on critical service providers.
- **Crisis preparedness.** The pandemic highlighted the importance of effective cross-border cooperation, coordination and risk-sharing. The FSB will identify a set of good practices and emerging practices of crisis management groups to enhance preparedness for, and facilitate the management and resolution of, a cross-border financial crisis affecting a global systemically important bank (G-SIB).

The report also highlights broader policy issues that warrant further attention. These include: monitoring COVID-19 policy responses as they are wound down, in order to identify systemic vulnerabilities early on; addressing debt overhang in the non-financial corporate sector; promoting resilience amidst rapid technological change; completing the remaining elements of the post-2008 crisis reform agenda; and examining in due course how macroprudential policy has functioned during the pandemic and its aftermath.

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, 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.