

COVID-19: FINANCIAL STABILITY BOARD REPORT TO THE G20 ON COVID-19 INTERNATIONAL POLICY RESPONSE

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On 15 April 2020, the Financial Stability Board (FSB) issued a report to the G20 Finance Ministers and Central Bank Governors on International Cooperation and Coordination to address the financial stability implications from COVID-19. The report follows a letter by FSB Chair Randal K. Quarles, which points out the twin challenge the global financial system is facing in light of COVID-19: a dramatically increased need for credit throughout the global economy and marked uncertainty about the value of a wide range of assets.

The report provides an overview of the financial stability implications related to COVID-19 and outlines the policy actions taken by FSB member jurisdictions. It notes that the FSB is monitoring the financial system's resilience and in particular, the ability of: (i) financial institutions and markets to channel funds to the real economy; (ii) market participants to obtain U.S.-dollar funding, particularly in emerging markets; (iii) financial intermediaries to manage liquidity risk; and (iv) market participants and financial market infrastructures, including central counterparties, to manage evolving counterparty risks. The report acknowledges that despite the current market volatility, the global financial system is more resilient as a result of the G20 regulatory reforms of the past years.

In this context, it underscores that the financial sector's rapid and coordinated COVID-19 response to support the real economy, maintain financial stability, and minimize the risk of market fragmentation revolves around five principles. In a Communiqué and Action Plan published on the same day, the G20 Finance Ministers and Central Bank Governors expressed their support for the principles and committed to follow them.

The principles include:

- Monitoring and sharing information on a timely basis to assess and address financial stability risks from COVID-19;
- The recognition and use of the flexibility built into existing financial standards to support the COVID-19 response;
- Opportunities to temporarily reduce operational burdens on firms and authorities such as delaying implementation deadlines, reprioritizing timetables for initiatives in other policy areas, or providing flexibility in technical compliance rules;
- Acting consistently with international standards, and not roll back reforms or compromise the underlying objectives of existing international standards; and
- Coordinating on the future timely unwinding of the temporary measures taken.

The report also describes how the FSB is supporting international cooperation and coordination on the COVID-19 response by sharing information among financial authorities, conducting financial stability risk assessments, and assisting its members with coordinating on their responses to policy issues. In terms of next steps, the FSB stresses that even in view of COVID-19, it is important not to lose sight of what will be needed to promote a financial system that supports a strong recovery, including taking forward initiatives on nonbank financial intermediation, supporting a smooth transition away from LIBOR, harnessing the benefits of technological innovation, and promoting efficient and resilient cross-border payments.

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