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# COVID-19, the FSB, and the G20 Financial Reform Agenda\*

Peterson Institute 'Financial Statements'

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\*The views expressed in these remarks are those of the speaker and do not necessarily reflect those of the FSB or its members

- COVID-19 represents the biggest test of the post-crisis financial system to date
  - Operational risk
  - Liquidity risk
  - Solvency risk
- COVID-19 related work priorities
  - Assessing financial stability risks and vulnerabilities
  - Informing policy discussions
  - Coordinating policy responses

# G20 core financial reforms

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- Making financial institutions more resilient
  - Basel III
- Ending ‘too-big-to-fail’
  - Higher capital and loss absorption capacity, more intensive supervision, and resolution frameworks for systemically important financial institutions
- Making OTC derivatives markets safer
  - Central clearing, trade reporting, platform trading, margin requirements for non-centrally cleared derivatives
- Enhancing resilience of non-bank financial intermediation
  - Money market funds, securitisation, securities financing

- G20 reforms have increased financial system resilience
  - Greater resilience of major banks at the core of the financial system
  - Those forms of market based finance that contributed to the 2008 financial crisis pose significantly lower financial stability risks
  - Financial market infrastructures, particularly CCPs, have functioned well
- Challenge: sustain flow of credit amidst growing solvency risks

- Rapid and coordinated response
  - to support the real economy
  - to maintain financial stability
  - to minimise the risk of market fragmentation
- Authorities and standard setting bodies have
  - encouraged the use of capital and liquidity buffers
  - provided guidance on the application of accounting rules
  - provided flexibility in the application of prudential requirements

- FSB principles endorsed by the G20
  - to monitor and share information on a timely basis to assess and address financial stability risks from COVID-19
  - recognise and use the flexibility built into existing financial standards to support our response
  - seek opportunities to temporarily reduce operational burdens on firms and authorities
  - act consistently with international standards, and not roll back reforms or compromise the underlying objectives of existing international standards
  - and coordinate on the future timely unwinding of the temporary measures taken

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# Looking ahead

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- Immediate priority: supporting an effective policy response to COVID-19
- Coordinating the future timely unwinding of measures
- Drawing lessons from the COVID-19 experience

# Annex: G20 reform implementation

## Implementation of reforms in priority areas by FSB jurisdictions (as of September 2019)

The table provides a snapshot of the status of implementation progress by FSB jurisdiction across priority reform areas, based on information collected by FSB and standard-setting bodies' (SSBs) monitoring mechanisms. The colours and symbols in the table indicate the timeliness of implementation. For Basel III, the letters indicate the extent to which implementation is consistent with the international standard. For trade reporting, the letters indicate to what extent effectiveness is hampered by identified obstacles.

Reform Area	Basel III <sup>A</sup>						Compensation	Over-the-counter (OTC) derivatives				Resolution			Non-bank financial intermediation		
	Risk-based capital	Liquidity Coverage Ratio (LCR)	Requirements for SIBs	Large exposures framework	Leverage ratio	Net Stable Funding Ratio (NSFR)		Trade reporting	Central clearing	Platform trading	Margin	Minimum external TLAC requirement for G-SIBs	Transfer/bail-in/temporary stay powers for banks	Recovery and resolution planning for systemic banks	Transfer/bridge/run-off powers for insurers	Money market funds (MMFs)	Securitisation
	2013 (2019)	2015 (2019)	2016 (2019)	2019	2018	2018		end-2012	end-2012	end-2012	2016 (2021)	2019/2025 (2022/2028)					
Agreed phase-in (completed) date	2013 (2019)	2015 (2019)	2016 (2019)	2019	2018	2018	end-2012	end-2012	end-2012	2016 (2021)	2019/2025 (2022/2028)						
Argentina	C	C					Δ									**	
Australia	C	C		C	&	C									*	**	
Brazil	C	C		C		C	Δ									**	
Canada	C	C		C		C									**	**	
China	C, Δ	C	C, &				Δ	R, F									
France	MNC	LC	C													*	
Germany	MNC	LC	C														
Hong Kong	C	C													**		
India	C	LC		C		C											
Indonesia	LC	C													**	**	
Italy	MNC	LC	C													*	
Japan	C	C	C														
Korea	LC	C													**	**	
Mexico	C	C						R							**	*	
Netherlands	MNC	LC	C													*	
Russia	C	C					Δ								**	**	
Saudi Arabia	C	LC		C		C		R							**	**	
Singapore	C	C													**	**	
South Africa	C	C					Δ								**	**	
Spain	MNC	LC	C													*	
Switzerland	C	C	C												**	**	
Turkey	C	C													**	**	
United Kingdom	MNC	LC	C													*	
United States	LC	C	C, &				Δ										

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