

Guidance by the FSB, BCBS and IAIS on COVID related measures

This briefing gives an overview of measures proposed by the Financial Stability Board, the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors to address the COVID-19 pandemic related financial consequences.



COVID-19 responses by international institutions

The extent and consequences of the COVID-19 crisis required, and still requires, globally coordinated responses. European Union institutions reacted forcefully (for an updated review of measures see [here](#)) as did institutions in other parts of the world. The global standard setters have also taken measures, guiding national responses. This briefing addresses measures taken and guidance given by the Financial Stability Board (FSB), the Banking Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS) to counteract the effects of the COVID-crisis.

The Financial Stability Board response

The Financial Stability Board (FSB) was established after the 2009 G20 London summit as a successor to the Financial Stability Forum (FSF). The FSB [membership](#) is composed of all G20 countries and other key financial centres such as Hong Kong, Singapore, Switzerland and Spain, along with some international finance institutions and international standard setters. The FSB does not take policy actions by itself; its main objective is to strengthen the financial system and maintain financial stability through monitoring, making relevant policy recommendations and coordinating national financial authorities. For an overview of FSB structure, governance and current agenda, see [EGOV specific briefing](#).

On [March 2020](#), the FSB published a press release noting intense cooperation and information sharing among its membership to address the economic consequences of COVID-19 and maintain financial stability. It led to a re-prioritisation of FSB 2020 work plan to focus more on crisis responses, in line with its [COVID Action Plan](#) adopted in April 2020. The FSB continuously reports to G20 Leaders and Finance Ministers and Central Banks' Governors on COVID-related risks, measures taken and their effects. The latest of such reports dates from 17 November 2020 and is being put forward ahead of the Leaders' meetings planned for 21-22 November.

[Measures](#) taken by FSB members focus on five priority areas:

- **Lending and credit support** to ensure that financial institutions are able to continue lending (loan guarantee schemes, restructuring of loan terms, or the release of countercyclical capital buffers and encouragement to use capital and liquidity buffers);
- **Funding and liquidity support** to maintain funding markets in domestic and foreign currency;
- **Market functioning to support the operations of markets**, including enhanced market surveillance or volatility control mechanisms;



- **Operational and business continuity of financial institutions**, including by engaging with financial institutions to ensure that they have robust measures in place so they can continue to maintain their activities; and
- **Authority business continuity measures** to ensure the continuity of authorities' supervisory and regulatory activities.

The FSB also set out five principles (which it considers being broadly respected to date) to guide authorities' responses to the crisis. These principles are:

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

The measures taken by EU authorities are, indeed, very much aligned with the FSB principles outlined above and cover the five priority areas identified. That is recognised in the latest FSB available monitoring report (dated [17 November](#)). Comparing the current situation with that at the time of its previous report, dated of June 2020, the FSB highlights a reduced pace of new measures (the winding down (and expiration) of part of the measures whilst some other measures were extended) and noted "*no new trends*" on new measures notified by members. FSB further adds that the new notified measures focus on additional lending support (including through lifting requirements on banks to encourage lending to the economy namely on easing collateral rules, loss-provisioning or risk weighting of certain exposures), to support operational resilience of firms or funding support (through central banks). It also remarks that measures are being made more targeted and focused, as authorities gain a better understanding of crisis evolution and its effects.

Going forward, the FSB recommends continuing to monitor market developments¹ and maintain cooperation and information sharing. Building on its analysis, the FSB also proposes to initiate and coordinate a response to strengthen resilience of the non-banking financial sector (for further details see an [EGOV FSB specific briefing](#)) and will discuss the factors to be considered in preparation for an orderly unwinding of support measures, once appropriate. The FSB recognises that the crisis response hinges on properly addressing potential obstacles to the use of bank capital and liquidity buffers, to continue assessing risks (noting that the use of analytical tools such as stress testing is important to inform such assessment) and on authorities' properly communicating their expectations of future policy, to reinforce market confidence.

The Banking Committee on Banking Supervision response

Differently from the FSB, which is primarily a coordination body, the Banking Committee on Banking Supervision (BCBS) is an international standard setter. By action of its members - which commit to implement BCBS standards, guidelines and practices - BSBC measures and actions are effectively transmitted to banks and the financial sector.

BCBS has developed, and has been implementing, a policy response to deal with COVID-19 since the onset of the crisis. Its policy response is based on three main objectives - safeguarding the financial and operational resilience of the global banking system, ensuring that banks continue to lend to creditworthy households and businesses and ensuring that authorities and banks have sufficient operational capacity to address short-term financial stability priorities. The measures adopted include:

- a [technical guidance](#) on how to address government support measures and payment moratoria programmes in banks balance sheets, on its expectations that banks use the flexibility inherent in

¹ In particular, the FSB signals the analysis of the solvency of non financial corporates and the procyclicality of credit rating downgrades.

expected credit loss (ECL) accounting frameworks to take account of the mitigating effect of COVID-19 support measures, and allowing greater flexibility to its members in deciding whether and how to phase in the impact of ECL on banks' regulatory capital;

- [postponing](#) implementation of the outstanding Basel III standards by one year (to 1 January 2023);
- [reducing the reporting burdens](#) linked to the 2020 global systemically important bank (G-SIB) assessment exercise; and
- [postponement](#) of the implementation of the [revised G-SIB framework](#) by one year, from 2021 to 2022.

Additional work ongoing has also been stepped up or adjusted to reflect lessons learned from the current crisis. One example is the current consultation on [banks' operational resilience](#). The BCBS continuous assessment of measures put in place after the 2007-2008 financial crisis is already encompassing an assessment of [COVID-related impacts](#), the interactions among the reforms, and whether there are any gaps or significant unintended effects². The BCBS workplan has also been [updated](#) to reflect the challenges posed by COVID-19.

The International Association of Insurance Supervisors' response

Established in 1994, the International Association of Insurance Supervisors (IAIS) is a voluntary organisation of insurance supervisors and regulators from more than 200 jurisdictions, constituting 97% of the world's insurance premiums. It is the international standard-setting body responsible for developing and assisting in the implementation of principles, standards and other supporting material for the supervision of the insurance sector and insurance companies. Its mission is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

According to its October [newsletter](#), the IAIS refocused its Global Monitoring Exercise in March to focus on COVID-19 risks. The IAIS has now reviewed the data for the first half of 2020, concluding that despite *"considerable volatility in financial markets and the disruption to operations, the global insurance sector has remained both financially and operationally resilient."* The full outcome of the review will be reported in its 2020 Global Market Insurance Report, due by end of the year. The IAIS [Public Roadmap 2020-2021](#) was amended in May, June and September 2020 to cater for the impacts of COVID-19. Amendments addressed, inter alia, postponement of projects³ and lifting of reporting requirements. The IAIS amended strategic plan notes, in particular:

- it will use its risk assessment methodology to assess, still in 2020, the impact of COVID-19 on the insurance sector to be reported through its dashboard on COVID-related impacts. Such an assessment will be based on targeted COVID-19 data collections of a quantitative and qualitative nature, collected from both insurance groups and supervisors, and will focus on key indicators such as assets, liabilities, solvency, liquidity and profitability of the global insurance sector;

- it will facilitate information exchange between insurance supervisors on regulatory, supervisory and other financial policy measures being taken.

Disclaimer and copyright. The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2020.

Contact: egov@ep.europa.eu

This document is available on the internet at: www.europarl.europa.eu/supporting-analyses

² In a [recent speech](#), Pablo Hernández de Cos, Chairman of the Basel Committee on Banking Supervision and Governor of the Bank of Spain, referred to three possible areas for reflexion: the possibility of having a greater layer of usable buffers in 'steady state' that can be promptly drawn down in times of stress; simplification and/or use of proportionality in the regulatory framework; re-focus reforms on enhancing and coordinating supervisory approaches.

³ Namely, timelines for the insurance capital standards confidential reporting in 2020, as well as the Aggregation Method data collection, were adjusted in light of Covid-19 (submission deadline was extended to 31 October, with submissions done on a best effort basis). Other projects were postponed such as on "Outsourcing to Specialist Technology Providers", "Fintech Note on Use of Supervisory Technology" and the "Member survey on Regulatory/ Supervisory Responses to Fintech Developments".