



# INTEGER WEALTH GLOBAL

---

## Financial Stability Board (FSB) Definition

Date: 27 February 2023

---

### What is the Financial Stability Board (FSB)?

The Financial Stability Board (FSB) is a global organization that regulates and makes recommendations regarding the global financial system. The FSB's creation came after the G20 Summit in London in April 2009. Headquartered in Basel, Switzerland, the board includes all G20 major economies. Germany's Dietrich Domanski is the current Secretary-General of the FSB, as of 2019.

### How the Financial Stability Board Works

The Financial Stability Board promotes and ensures global financial stability by monitoring the global financial scenario and making recommendations. The FSB consists of 68 member institutions. It comprises several central banks, ministries of finance, and supervisory and regulatory authorities from 25 jurisdictions, as well as 10 international organizations and six Regional Consultative Groups (RCGs).

The FSB operates through a three-stage process. The process ensures smooth coordination, cooperation, and consistency throughout its operations.

### Key Takeaways

- The Financial Stability Board (FSB) is a global organization that regulates and makes recommendations regarding the global financial system.
- The FSB promotes and ensures global financial stability by monitoring the global financial scenario and making recommendations for the same.
- The board consists of 68 member institutions. It comprises several central banks, ministries of finance, and supervisory and regulatory authorities from 25 jurisdictions, as well as 10 international organizations and six Regional Consultative Groups (RCGs).

### Functions of the Financial Stability Board

The FSB is responsible for:

- Preparing annual reports on the implementation of reforms and their effects
- Coordinating financial sector policies
- Conducting outreach activities
- Building resilient financial institutions
- Addressing SIFIs
- Supervising the global financial market
- Making the derivatives market safer
- Enhancing the resilience of non-bank financial intermediation
- Formulating additional policies on specific areas of the global financial market
- Preparing progress reports to the G20
- Conducting peer reviews
- Analyzing the effects of reforms



## Structure of the Financial Stability Board

- The **Plenary**, which serves as the sole decision-making body.
- The **Steering Committee**, which takes forward operational work in between Plenary meetings.
- Three Standing Committees, each with a specific but complementary responsibility assigned which include:
  - The **Standing Committee on Assessment of Vulnerabilities (SCAV)**, which is the FSB's primary body for identifying and assessing risks in the financial system.
  - The **Standing Committee on Supervisory and Regulatory Cooperation (SCSRC)**, which is responsible for undertaking supervisory analysis and framing a supervisory policy in response to vulnerabilities identified by SCAV.
  - The **Standing Committee on Standards Implementation (SCSI)**, which is responsible for monitoring the implementation of the FSB policy initiatives and agreed international standards.

Moreover, the **Standing Committee on Budget and Resources (SCBR)** provides oversight of the FSB's budget and resources. The current chair of the FSB is Randal K. Quarles, an American government official and private equity investor.

## Regional Consultative Groups (RCGs)

In 2011, the FSB established six Regional Consultative Groups (RCGs) – one each for North America, South America, Asia, The Commonwealth of Independent States, Europe, Middle East and North Africa, and the Sub-Saharan Africa region – to expand and formalize the FSB's outreach activities beyond the membership of the G20. The RCGs provide a structured mechanism that promotes interactions between the FSB members and non-members regarding the board's initiatives and implementation of international financial policy.





## Assessment of Vulnerabilities

The Standing Committee on Assessment of Vulnerabilities (SCAV) is the FSB's primary committee for the assessment of risks and vulnerabilities in the global financial system. The assessment focuses on macro-financial vulnerabilities arising from structural flaws in the financial system, such as misaligned incentives, potential market stress, etc.

## Policy Development and Coordination

After the evaluation and assessment of vulnerabilities in the financial market and potential risks that can hinder the smooth flow of the global financial system, the FSB focuses on policy development and coordination. The objective is to correct the fault lines that can lead to a financial crisis. The FSB focuses on institutionalizing and regulating resilient financial institutions and markets, using international standards that are designed to be globally applicable.

### Implementation Monitoring and Effects of Reforms

The FSB, through the Standing Committee on Standards Implementation (SCSI), oversees the implementation of newly developed policies and financial reforms. The current list of high priority financial concerns, reviewed annually by the FSB in light of policy developments, consists of:

- The Basel III framework
- Compensation practices
- Policy measures for global financial institutions
- Over-the-counter derivatives market reforms
- Non-bank financial intermediation

A designated body set up by the FSB undertakes the monitoring and effective implementation regulations in each priority area.

In addition, the FSB, in collaboration with the SSBs, analyses the effects of the financial reforms, such as whether the reforms are working together as intended or not, whether policy amendments are needed, and so on. Such periodic reviews on the reforms implemented help the board efficiently regulate the global financial system.