

## **FSB – Financial Stability Board**

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. The FSB promotes global financial stability by coordinating the development of regulatory, supervisory, and other financial sector policies and conducts outreach to non-member countries. It achieves cooperation and consistency through a three-stage process. The FSB publishes an annual work programme each year which sets out the FSB's planned work for each of these three stages.

### **Mandate of the FSB**

The FSB promotes international financial stability; it does so by coordinating national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory, and other financial sector policies. It fosters a level playing field by encouraging coherent implementation of these policies across sectors and jurisdictions.

The FSB, working through its members, seeks to strengthen financial systems and increase the stability of international financial markets. The policies developed in the pursuit of this agenda are implemented by jurisdictions and national authorities.

More specifically, the FSB was established to:

- Assess vulnerabilities affecting the global financial system as well as to identify and review, on a timely and ongoing basis within a macroprudential perspective, the regulatory, supervisory, and related actions needed to address these vulnerabilities and their outcomes.
- Promote coordination and information exchange among authorities responsible for financial stability.
- Monitor and advise on market developments and their implications for regulatory policy.
- Monitor and advise on best practice in meeting regulatory standards.
- Undertake joint strategic reviews of the international standard-setting bodies and coordinate their respective policy development work to ensure this work is timely, coordinated, focused on priorities and addresses gaps.
- Set guidelines for establishing and supporting supervisory colleges.
- Support contingency planning for cross-border crisis management, particularly with regard to systemically important firms.
- Collaborate with the International Monetary Fund (IMF) to conduct Early Warning Exercises.
- Promote member jurisdictions' implementation of agreed commitments, standards and policy recommendations, through monitoring of implementation, peer review and disclosure.

### **The Framework<sup>1</sup>**

Embedded in the FSB's structure is a framework for the identification of systemic risk in the financial sector, for framing the policy sector policy actions that can address these risks, and for overseeing implementation of those responses. The FSB's structure comprises the Plenary as the sole decision-

---

<sup>1</sup> <https://www.fsb.org/2023/02/the-financial-stability-risks-of-decentralised-finance/>

making body, a Steering Committee to take forward operational work in between Plenary meetings, and three Standing Committees, each with specific but complementary responsibilities towards the above process:

- The Standing Committee on Assessment of Vulnerabilities (SCAV), which is the FSB's main mechanism for identifying and assessing risks in the financial system.
- The Standing Committee on Supervisory and Regulatory Cooperation (SRC), which is charged with undertaking further supervisory analysis or framing a regulatory or supervisory policy response to a material vulnerability identified by SCAV.
- The Standing Committee on Standards Implementation (SCSI), which is responsible for monitoring the implementation of agreed FSB policy initiatives and international standards.

Additionally, the Standing Committee on Budget and Resources (SCBR) provides oversight of the FSB's resources and budget and presents recommendations as necessary to the Plenary.

The FSB's decisions are not legally binding on its members – instead the organisation operates by moral suasion and peer pressure, in order to set internationally agreed policies and minimum standards that its members commit to implementing at national level.

As obligations of membership, members of the FSB commit to pursue the maintenance of financial stability, maintain the openness and transparency of the financial sector, implement international financial standards (including the 15 key International Standards and Codes), and agree to undergo periodic peer reviews, using among other evidence IMF/World Bank public Financial Sector Assessment Program (FSAP) reports.

FSB members' adherence to international standards is essential to reinforce the credibility of the FSB's efforts to strengthen adherence by all countries and jurisdictions. Their commitment to implementing international financial standards and disclosing their level of adherence reflects their intent to lead by example. The FSB will foster a race to the top, wherein encouragement from peers motivates all countries and jurisdictions to raise their level of adherence to international financial standards.

### **Coordination of Financial Sector Policies<sup>2</sup>**

The FSB has a unique composition among international bodies, because it brings together senior policymakers from ministries of finance, central banks, and supervisory and regulatory authorities, for the G20 countries, plus four other key financial centers – Hong Kong, Singapore, Spain, and Switzerland. In addition, it includes international bodies, including standard-setters and regional bodies like the European Central Bank and European Commission. This means all the main players who set financial stability policies across different sectors of the financial system are at one table. So when policies are agreed, they also have the authority to carry them out.

The FSB is not a treaty-based organization. Policies agreed by the FSB are not legally binding, nor are they intended to replace the normal national and regional regulatory processes. Instead, the FSB acts as a coordinating body, to drive forward the policy agenda of its members to strengthen financial stability. It sets internationally agreed policies and minimum standards that its members commit to implement at the national level.

---

<sup>2</sup> <https://www.fsb.org/work-of-the-fsb/>

The FSB regularly reports to the G20 which regularly endorses the FSB's policy agenda and supports implementation of agreed international standards. But the FSB is not run by the G20 – our membership is somewhat wider, and the FSB comes to independent policy views on issues.

The Financial Stability Risks of Decentralised Finance, [here](#).