

Press release

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Ref: 10/2022
20 April 2022

FSB Chair's letter to G20 outlines financial stability issues arising from Russia's invasion of Ukraine

The Financial Stability Board (FSB) today published a [letter from its Chair, Klaas Knot, to G20 Finance Ministers and Central Bank Governors](#) ahead of their meeting on 20 April. The letter discusses the current outlook for financial stability and sets out the FSB's plans over the coming months to assess and address emerging vulnerabilities.

The letter notes that the Russian invasion of Ukraine triggered large price fluctuations in global financial markets. Thus far, the global financial stability impact of the war in Ukraine appears limited compared to the turmoil induced by COVID-19 in March 2020. Nevertheless, uncertainty remains high. Inflation is back, and with it (the prospect of) tighter financing conditions. This has the potential to crystallise vulnerabilities that have been building for some time, such as high debt levels in the non-financial sector and stretched valuations.

The letter flags a number of issues that warrant particular attention, including linkages between commodity markets and the rest of the financial system; financial system leverage and possible amplifiers in the event of market stress; and cyber risks. In addition, for many emerging market and developing economies heightened geopolitical tensions and rising energy and food prices are adding to the economic strain from COVID-19, reduced policy space and tightening global financial conditions. The FSB's forthcoming report on *US dollar funding and EME vulnerabilities* draws policy implications to address vulnerabilities related to external financing.

The FSB is intensifying monitoring of current market developments and emerging vulnerabilities, with a particular focus on commodity markets, margining and leverage. The FSB's ongoing work for the G20 on exit strategies from COVID-19 and measures to avoid scarring effects will also consider the possible implications of current developments for financial policies.

Meanwhile, the Russia-Ukraine war has reinforced concerns about the growth and potential use of crypto-assets. The FSB is taking forward work on the regulation and supervision of 'unbacked' crypto-assets and 'stablecoins'.

Finally, the letter stresses the importance, and increased urgency, of the FSB's ongoing policy work on addressing the financial risks from climate change.

Notes to editors

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.