

Press release

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FSB RCG for Asia discusses crisis simulation exercises, SME financing and climate-related financial risks

The Financial Stability Board (FSB) Regional Consultative Group (RCG) for Asia met in Kuala Lumpur today at a meeting hosted by Bank Negara Malaysia.

Members of the FSB RCG for Asia considered vulnerabilities and regional financial stability issues. Meeting participants discussed risks from global trends, including the resumption of upward prices in risky assets, a loosening of credit standards and increases in the cost of credit. At the same time, they noted that resilience in the global financial system appears to have increased, financial markets are functioning robustly and financial conditions in emerging markets have stabilised. In spite of these positive trends, they agreed that efforts must continue to minimise the probability of another financial crisis, particularly given the increasing level of interconnectedness in the global financial system.

The group received an update on the FSB's work programme, and in particular on market fragmentation, financial innovation and FinTech credit, as well as cyber incident response and recovery. Discussions on market fragmentation centred around the FSB's [recently published report](#) on the subject and instances where reducing market fragmentation might have a positive impact on financial stability, or improve market efficiency without any detrimental effect on financial stability.

Members discussed the design and use of financial sector crisis simulation exercises. Members noted that such exercises could help to assess how well the crisis management framework works and scope for improvements. Challenges in their design, including cross-border aspects, were also considered. Members were briefed on lessons learnt from simulation exercises in Hong Kong SAR and Singapore, and exchanged views on how a regional exercise could be conducted.

RCG members discussed the growth of non-bank financial intermediation in the region. They noted that a significant portion of the growth is the result of an increase in intermediation by "other financial intermediaries" such as investment funds, captive financial institutions and moneylenders, broker-dealers and money market funds. Against this backdrop, members considered the challenges associated with the oversight and monitoring of the sector given its size and interconnectedness.

Financing to small and medium-sized enterprises (SMEs) and the impact of post-crisis reforms was also discussed. SMEs form the backbone of many Asian economies and account for a large share of value added and employment. Members exchanged views on the impact of the

reforms on SME financing and in this context, observed that the FSB's recently published [consultation report](#) does not identify material and persistent negative effects on SME financing in general, although there is some differentiation across jurisdictions. Members also discussed the benefits of FinTech credit for SME financing while at the same time noting the challenges that it poses for authorities and ensuring its positive impact on productivity.

Members also discussed the financial risks, both physical and transition, resulting from climate change. They exchanged views on the roles of financial institutions, central banks and supervisors and recommendations put forward by the Network for Greening the Financial System.¹

The meeting included a discussion on ways to improve the effectiveness of the RCGs as part of the FSB's broader effort to enhance engagement with stakeholders. The discussion will feed into the FSB's ongoing work to consider ways in which jurisdictions that are not members of the FSB can more effectively contribute to and benefit from the FSB's work.

The FSB RCG for Asia is co-chaired by Philip Lowe, Governor, Reserve Bank of Australia and Nor Shamsiah Yunus, Governor, Bank Negara Malaysia. Membership of the RCG Asia comprises financial authorities from Australia, Brunei Darussalam, Cambodia, China, Hong Kong SAR, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.

Notes to editors

The FSB has six Regional Consultative Groups, established under the FSB Charter, to bring together financial authorities from FSB member and non-member countries to exchange views on vulnerabilities affecting financial systems and on initiatives to promote financial stability.² Typically, each Regional Consultative Group meets twice each year.

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 Randal K. Quarles, Vice Chairman for Supervision, US Federal Reserve; its Vice Chair is Klaas Knot, President, 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.

¹ The Central Banks and Supervisors Network for Greening the Financial System (NGFS) is a group of Central Banks and Supervisors willing, on a voluntary basis, to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance to support the transition toward a sustainable economy. In April 2019, the NGFS issued its first comprehensive report [A call for action: Climate change as a source of financial risk](#).

² The FSB Regional Consultative Groups cover the following regions: Americas, Asia, Commonwealth of Independent States, Europe, Middle East and North Africa, and Sub-Saharan Africa.