

VICE CHAIRMAN ATTENDS FSB STEERING COMMITTEE MEETING IN BASEL

FSC Vice Chairman Sohn Byungdoo attended the Financial Stability Board (FSB) steering committee meeting held on January 13, 2020 in Basel, Switzerland.

The steering committee meeting was attended by the heads of central banks and financial regulatory bodies from 20 countries and 11 international organizations, such as the International Monetary Fund and the European Central Bank. The members held discussions on the risk assessment of non-bank financial institutions and ways to respond to risks associated with stablecoins.

With regard to non-bank financial intermediaries, Vice Chairman Sohn stated that it is both timely and important to reassess the regulatory and supervisory framework of non-bank financial intermediaries given their size and global linkages. The recent trend of low interest rates may further aggravate risks in non-bank financial intermediaries due to a prevalent tendency toward high-risk, high-yield assets, Vice Chairman Sohn said.

In this regard, the Korean government has been managing potential systemic risks in non-bank financial sectors by analyzing 'activities' and 'entities' separately, Vice Chairman Sohn added.

On regulating stablecoins, the FSC agreed on the principle that a holistic approach to risk assessment should take place and that appropriate regulatory measures should be established prior to incorporating stablecoins in the global financial system. Considering the effects of stablecoins on monetary policy and anti-money laundering regime, the FSC reaffirmed the need to bolster cooperation with international organizations, such as the IMF and the Financial Action Task Force.

To prevent regulatory arbitrage using stablecoins, Vice Chairman Sohn emphasized the importance of increasing efforts for coordination between the developed and developing countries.

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