

Financial Stability Institute



2022 in review

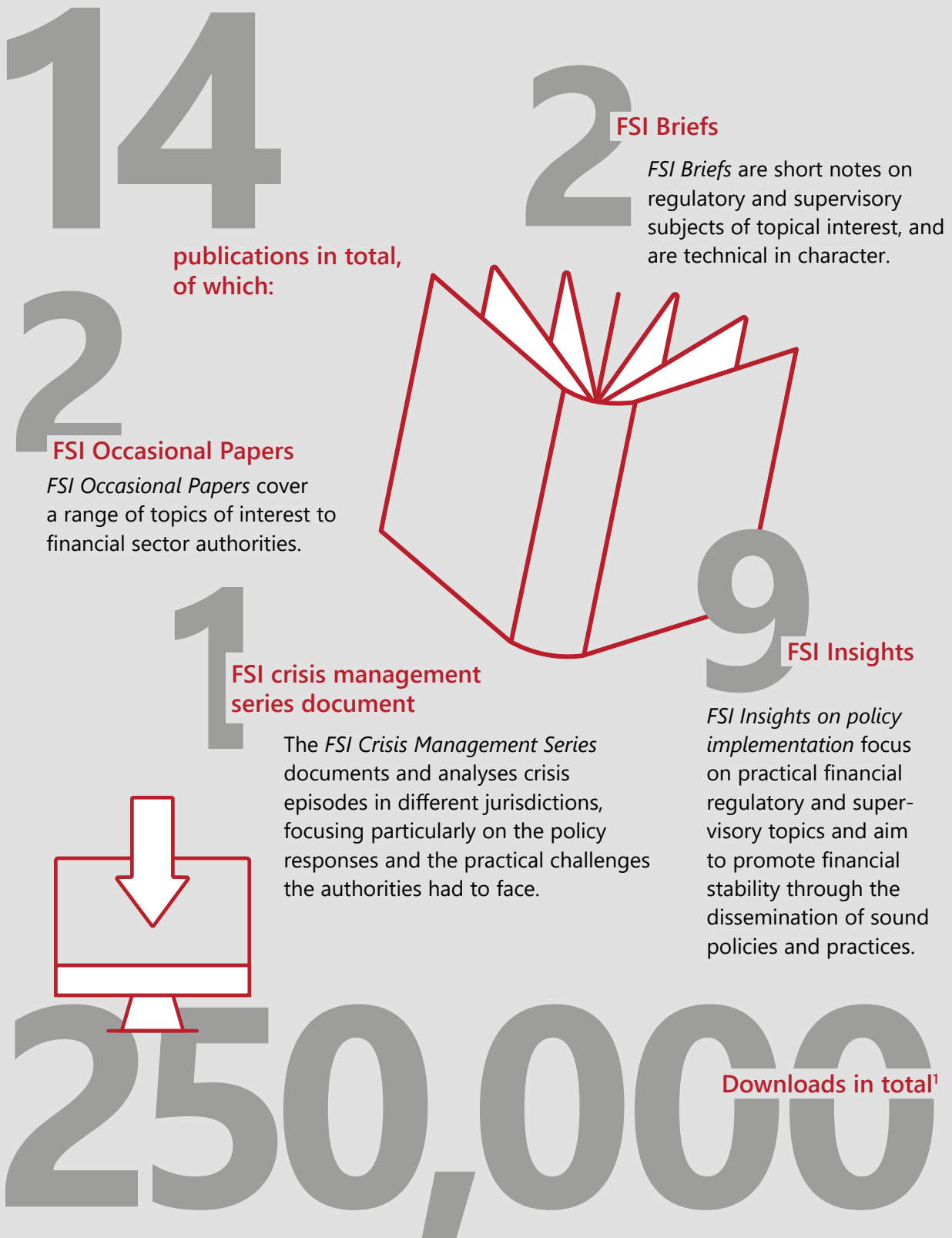
The Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) assists central banks and financial regulatory and supervisory authorities worldwide in strengthening their financial systems by supporting the implementation of global regulatory standards and sound supervisory practices.

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FSI publications in 2022

FSI publications are targeted at global financial sector authorities, central banks and policymakers to contribute to policy discussions and formulation on topical financial regulatory and supervisory issues.



¹ This number includes downloads in 2022 of all FSI publications.

FSI publications: key areas covered in 2022



SUPERVISION

FSI Insights no 40:

“Supervisory practices for assessing the sustainability of banks' business models” (April)

Banks rarely become weak overnight. Their weaknesses are often rooted in flawed business models and strategies. Business model analysis (BMA) is therefore a key component of supervisory frameworks and allows supervisors to identify banks' vulnerabilities at an early stage. This paper presents a range of supervisory practices regarding BMA. It emphasises practical aspects of BMA, including processes for developing and conducting a BMA as well as for integrating its outcomes into the overall supervisory review process.

GOVERNANCE

FSI Insights no 42:

“Diversity and inclusion – embracing the true colours in financial supervision” (May)

Sound diversity and inclusion (D&I) practices at financial institutions can support safety and soundness within the financial sector by improving corporate governance and promoting fair and equitable treatment of customers. This paper examines emerging regulatory approaches to firms' D&I practices, finding some variety across jurisdictions. Most progress to date has focused on gender diversity. The paper concludes that international standards and guidance on D&I might be helpful to accelerate progress and broaden the scope beyond gender.





CLIMATE

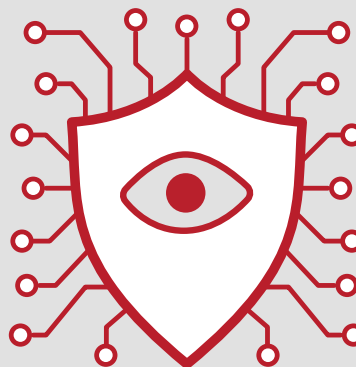
FSI Briefs no 16: “The regulatory response to climate risks: some challenges” (February)

This paper argues that authorities should review their prudential frameworks with a view to taking full account of the implications of climate-related financial risks for financial stability, advocating the use of the Pillar 2 framework for such purpose. The paper also argues that applying the current macroprudential framework to contain systemic climate-related financial risks is probably ineffective and potentially counterproductive for financial stability.

TECHNOLOGY

FSI Insight no 41: “Central bank digital currencies: a new tool in the financial inclusion toolkit?” (April)

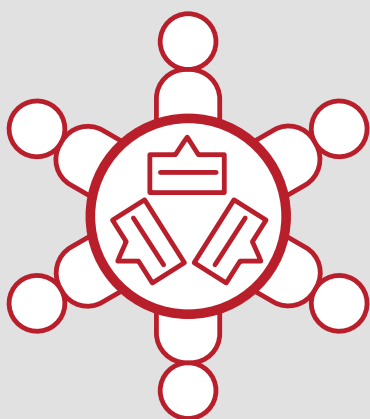
Central banks are considering how retail central bank digital currencies (CBDCs) may help support financial inclusion. This paper discusses design options that may be conducive to financial inclusion. These are related to a two-tiered CBDC architecture, a robust and low-cost public sector technological basis, the enrolment and education of end users of CBDCs and system-wide interoperability, both domestically and across borders. The paper finds that, taken together, these features can address a range of existing barriers to financial inclusion.



CRISIS MANAGEMENT

FSI Insight no 45: “Counting the cost of payout: constraints for deposit insurers in funding bank failure management” (July)

Many deposit insurers may use their funds to support resolution measures rather than to pay out depositors. Such support is usually subject to constraints, typically least cost requirements or caps on the amount that can be provided in a single case. This paper analyses such constraints across 13 jurisdictions and finds significant variations. A key difference relates to methodologies for calculating costs, which may predispose a framework towards a certain type of measure. The paper offers conclusions that may help benchmark approaches to the use of deposit insurance funds in bank resolution.



2022 focus feature: big tech

In 2022, the FSI continued its work on the focus area relating to policy issues around big techs. These were explored in a number of publications:

Occasional Paper 20:

“Big tech regulation: in search of a new framework” (October)

The paper argues that the challenges posed by big techs cannot be fully addressed by current regulation. These risks mostly arise from big techs’ ability to leverage on a common infrastructure, notably large amounts of client data. This can lead to excessive concentration and threats to financial stability. The paper outlines two approaches. The structural approach seeks to minimise risks arising from group interdependencies between financial and non-financial activities, and is arguably simpler and bolder. The inclusion approach creates a new regulatory category for big tech groups with significant financial activities with regulatory requirements for the group as a whole. It is a more tailored option to address specific risks associated with big techs’ business model.

FSI Insights 44:

“Big tech interdependencies – a key policy blind spot” (July)

Big tech business models are characterised by strong intragroup and external interdependencies, arising from common use of payment infrastructure or technological platforms and partnerships with financial institutions. This gives rise to various risks and challenges that require entity-based rules for big tech operations in the financial sector. The paper assesses those interdependencies, considers the regulatory implications and outlines the tools that financial authorities have at their disposal to address the related risks.

FSI Insights 39:

“Gatekeeping the gatekeepers: when big techs and fintechs own banks – benefits, risks and policy options” (January)

This paper assesses the merits of extending a banking licence to tech firms and explores their regulatory landscape in seven jurisdictions. It categorises tech firms that provide financial services into three groups – standalone fintechs, large diversified fintechs and big techs – and examines the respective risk characteristics and licensing requirements. Notwithstanding such licensing requirements, supervision and enforcement may pose challenges, and the paper outlines policy options to help support the gatekeeping role of prudential authorities.

FSI outreach programme in 2022

FSI events bring together different groups of constituents. Policy-related meetings include high-level meetings (HLMs) and policy implementation meetings (PIMs), which provide a forum for heads of authorities and senior officials, respectively, as well as conferences, which provide a forum for financial sector supervisors to discuss topical cross-sectoral issues. Training-related events include virtual seminars and online courses.

In 2022, the FSI outreach programme included a total of 36 events. Of these, 81% were virtual, including four HLMs, nine PIMs and two conferences.



FSI partner organisations

The FSI partners with many organisations all over the world in the context of events, policy projects, crisis simulation exercises and the FSI fellowship programme.

Access to Insurance Initiative (A2ii)
Arab Monetary Fund
Asian Forum of Insurance Supervisors
Association of Insurance Supervisors of Latin America
Association of Supervisors of Banks of the Americas

Basel Committee on Banking Supervision
Bank of Botswana
Central Bank of Brazil

Center for Latin American Monetary Studies
Committee on Payment and Market Infrastructures
Community of African Banking Supervisors

Bank of Estonia
Central Bank of Eswatini
European Banking Authority
European Central Bank
European Insurance and Occupational Pensions Authority
European Supervisor Education Initiative
Executives' Meeting of East Asia-Pacific Central Banks

Financial Stability Board

Bank of Ghana
Ghana Deposit Protection Corporation

Hong Kong Monetary Authority

Reserve Bank of India
Bank Indonesia
Otoritas Jasa Keuangan (Indonesia Financial Service Authority)
Lembaga Penjamin Simpanan (Indonesia Deposit Insurance Corporation)
International Association of Deposit Insurers
International Association of Insurance Supervisors
International Monetary Fund
International Organization of Securities Commissions

Central Bank of Kenya

Bank of Latvia
Central Bank of Lesotho
Bank of Lithuania

Macroeconomic and Financial Management Institute of Eastern and Southern Africa
Central Bank of Malaysia
Perbadanan Insurans Deposit Malaysia (PIDM)

Bank of Namibia
Central Bank of Nigeria
Nigeria Deposit Insurance Corporation

Bangko Sentral ng Pilipinas
Philippine Deposit Insurance Corporation (PDIC)

Monetary Authority of Singapore
Single Resolution Board
South African Reserve Bank
South East Asian Central Banks Research and Training Centre

Bank of Thailand

Unidroit
United States Department of the Treasury

World Bank

FSI online training in 2022

FSI Connect is the BIS's e-learning platform available exclusively to central banks, supervisory authorities, deposit insurers and other eligible public sector authorities. The FSI Connect library covers primarily international financial regulatory standards and sound supervisory practices, including the latest prudential standards, key guidance on banking and insurance supervision, and relevant accounting and deposit insurance topics.

FSIC OUTREACH IN 2022²

Region	Authorities	Jurisdictions	Subscriptions
Africa	44	31	1,552
Americas	47	27	2,929
Asia-Pacific	42	33	2,688
Europe	55	40	2,964
Middle East & North Africa	12	10	820
Total	200	141	10,953

The **FSIC Transformation Project** to modernise the FSI e-learning platform was completed in April 2022, and all FSI Connect users have been migrated. The new platform is a core aspect of the FSI's efforts to digitise its capacity development activities.



IN 2022, 19 NEW FSIC SUITES WERE LAUNCHED, INCLUDING NEW SUITES ON:

- Bank resolution topics (bail-in execution; internal TLAC)
- CBDC, e-money and fintech
- Climate and environmental risks
- Operational resilience and cyber incident response and recovery

128,310
FSIC tutorial launches³

EXECUTIVE SUMMARIES PROVIDE BRIEF SYNOPSES OF NEW AND REVISED GLOBAL FINANCIAL REGULATORY STANDARDS.

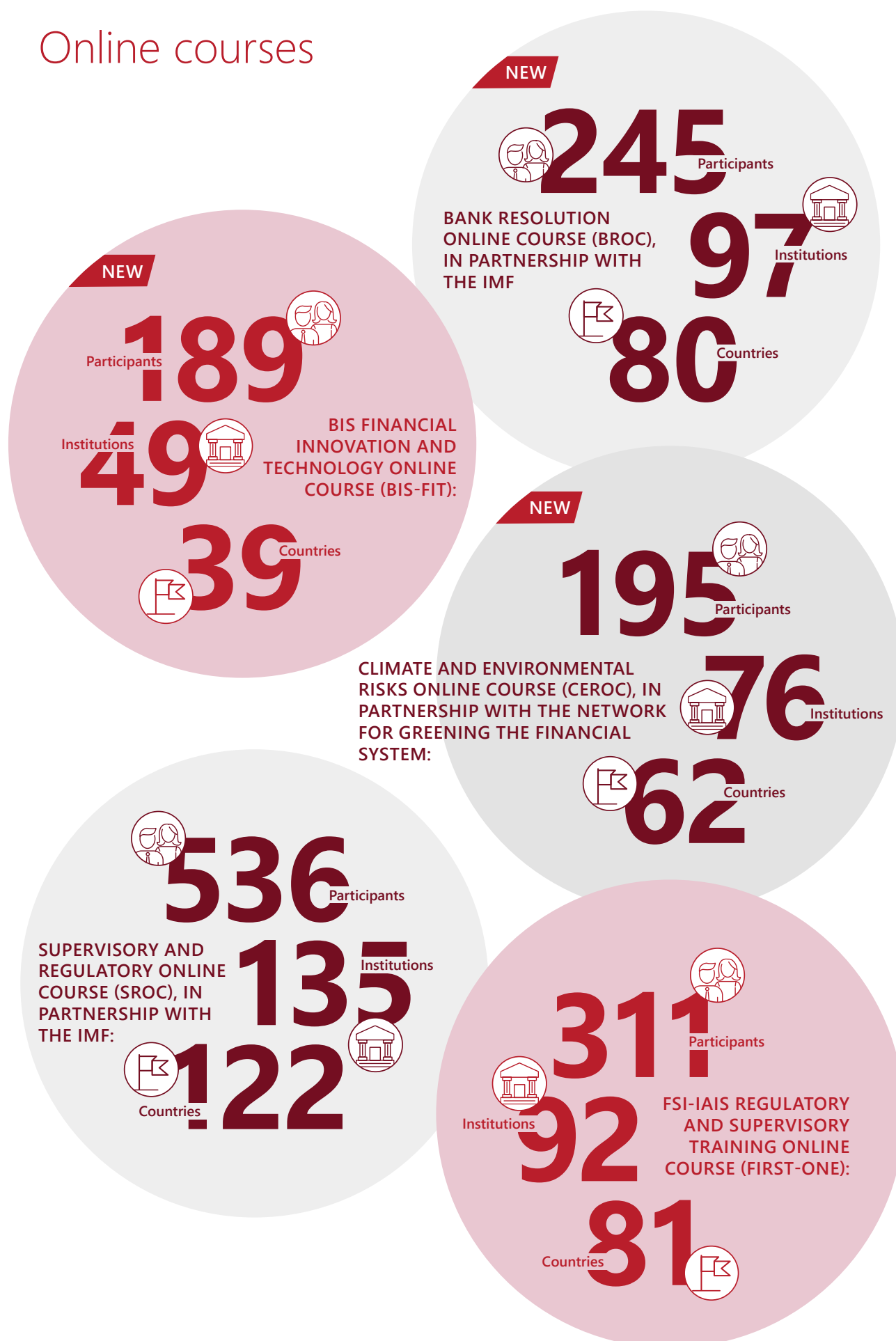
175k  **downloads of Executive Summaries**

4 **Executive Summaries**
were published in 2022, bringing the total to 52

² As per 31 December 2022

³ As per 31 December 2022

Online courses



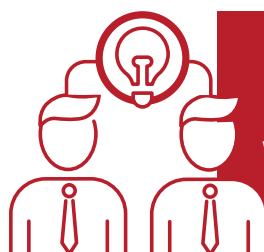
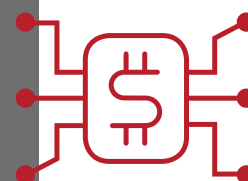
FSI special projects in 2022

Finrep

Why: to provide a useful reference to facilitate policymaking and regulatory benchmarking related to fintech developments.

What has been done: launched version 1.0 covering content from 33 BIS member jurisdictions and provided access to 625 policymakers, researchers and staff from 92 authorities in 50 jurisdictions.

What is next: increase the scope to cover content from all 63 BIS member jurisdictions, continue providing access to all interested staff from financial authorities and define new functionalities to be developed for version 2.0.



Informal Suptech Network (ISN)

Why: to provide a knowledge-sharing platform for the exchange of practices and experiences in implementing suptech tools among its members.

What has been done: organised three ISN webinars on suptech work of various members and a virtual meeting to discuss various implementation and development issues, published a paper "Suptech in insurance supervision", which was developed together with the International Association of Insurance Supervisors (IAIS) and A2ii.

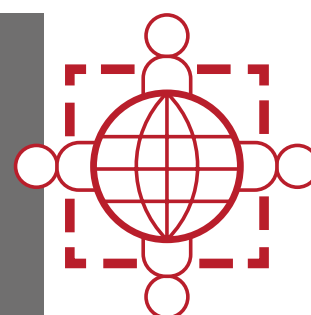
What is next: ISN webinar series will continue with at least three webinars next year; a physical meeting is scheduled on 5–6 June 2023, which will be co-organised with the Basel Committee on Banking Supervision and IAIS.

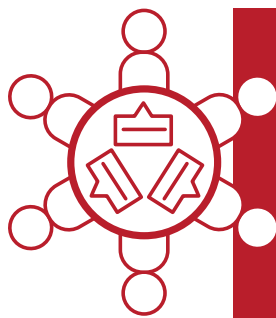
Financial inclusion

Why: to create a policy and regulatory environment that facilitates greater financial inclusion of underserved communities around the world.

What has been done: check-in meetings between the standard-setting bodies (SSBs) and the financial inclusion community; an FSI-Consultative Group to Assist the Poor financial inclusion workshop on proportionality; two joint FSI-World Bank papers.

What is next: enhanced cooperation arrangements between the SSBs and the financial inclusion community. Aside from regular check-in meetings and workshops, there will be a high-level meeting co-organised with the Office of the UN Secretary General's Special Advocate for Inclusive Finance for Development. Joint work with the World Bank on publications will probably continue.





FSI Crisis Simulation Exercises (CSEs)

Why: to allow participating authorities to test their crisis management arrangements, cross-border cooperation and information-sharing in a fictional scenario.

What has been done: in July 2022, 10 authorities from six jurisdictions in Asia took part in a cross-border CSE organised by the FSI. The exercise involved over 100 participants and simulated the failure of a fictional bank with significant operations in all countries represented. Authorities received a report setting out findings, prepared by the FSI with the consultant.

What is next: conduct a cross-border CSE with 11 authorities from eight African countries.

Unidroit Principles on Bank Liquidation

Why: with the support of the FSI, Unidroit is developing a guidance document on bank liquidation for legislators and practitioners to enhance the effectiveness of bank failure management frameworks.

What has been done: the full working group as well as thematic subgroups met in both virtual and hybrid format over the course of 2022 and produced several interim reports. In addition, a survey was launched to collect practices from all over the world.

What is next: working with the subgroups, a drafting committee will work on a first draft instrument.



Climate Training Alliance (CTA)

Why: a collaboration between the Bank for International Settlements (BIS), the International Association of Insurance Supervisors (IAIS), the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and the UN-convened Sustainable Insurance Forum (SIF) to enhance training for central banks and financial authorities to respond to climate risks.

What has been done: The CTA portal was launched and provides information on climate-related trainings, self-study material and webinar recordings from the inaugural BIS-NGFS Climate and Environmental Risks Online Course (CEROC). Staff of members of the BIS, IAIS, NGFS and SIF can self-register to access the portal.

What is next: the CTA portal will be enhanced to improve user experience. The roster of upcoming trainings and self-study materials will be continuously updated. The CTA portal will house the new NGFS Training Library as well as specialised trainings by the IAIS on insurance climate scenario analysis.
















FSI publications in 2022







FSI Briefs	
25 Aug	"Safeguarding operational resilience: the macroprudential perspective", by Jermy Prenio and Fernando Restoy
17 Feb	"The regulatory response to climate risks: some challenges", by Rodrigo Coelho and Fernando Restoy
FSI Crisis Management Series papers	
15 Dec	"The 2008 financial crises in the Baltic countries", by Patrizia Baudino, Olga Lielkalne, Tomas Reichenbachas, Mari Tamm and Rastko Vrbaski
FSI Occasional Papers	
3 Oct	"Big tech regulation: in search of a new framework", by Johannes Ehrentraud, Jamie Lloyd Evans, Amélie Monteil and Fernando Restoy
3 Aug	"Entity-based vs activity-based regulation: a framework and applications to traditional financial firms and big techs", by Claudio Borio, Stijn Claessens and Nikola Tarashev
FSI Insights	
14 Dec	"Suptech in insurance", by Denise Garcia Ocampo, Andres Lehtmetts, Manoj Pandey and Jermy Prenio
24 Nov	"Emerging sound practices on supervisory capacity development", by Juan Carlos Crisanto, Jermy Prenio, Manoj Singh and Jeffery Yong
12 Jul	"Counting the cost of payout: constraints for deposit insurers in funding bank failure management", by Nicola Costa, Bert Van Roosebeke, Rastko Vrbaski and Ruth Walters
5 Jul	"Big tech interdependencies – a key policy blind spot", by Juan Carlos Crisanto, Johannes Ehrentraud, Marcos Fabian and Amélie Monteil
15 Jun	"The journey so far: making cross-border remittances work for financial inclusion", by Oya Ardic, Hemant Bajjal, Patrizia Baudino, Nana Yaa Boakye-Adjei, Jonathan Fishman and Richard Audu Maikai
24 May	"Diversity and inclusion – embracing the true colours in financial supervision", by Jeffery Yong and Nompumelelo Simelane
12 Apr	"Central bank digital currencies: a new tool in the financial inclusion toolkit?", by Raphael Auer, Holti Banka, Nana Yaa Boakye-Adjei, Ahmed Faragallah, Jon Frost, Harish Natarajan and Jermy Prenio
7 Apr	"Supervisory practices for assessing the sustainability of banks' business models", by Rodrigo Coelho, Amélie Monteil, Vasily Pozdyshev and Jean-Philippe Svoronos
20 Jan	"Gatekeeping the gatekeepers: when big techs and fintechs own banks – benefits, risks and policy options", by Raihan Zamil and Aidan Lawson

FSI events in 2022

31 Jan–1 Feb	High-level meeting for Africa	
3 Feb–7 Apr	Bank resolution online course (BROC)	
9–10 Feb	Covid-related measures: effectiveness and exit	
14–16 Feb	Climate-related financial risks	
3 Mar	Finrep technical group meeting	
16–17 Mar	High-level meeting for Asia-Pacific	
17 Mar	Informal Suptech Network (ISN) series of webinars	
29 Mar–22 Jun	BIS financial innovation and technology (BIS-FIT)	
30 Mar	Virtual session on cyber security	
5 Apr	Informal Supervisory Capacity Network meeting	
6–7 Apr	Crisis management	
6–7 Apr	Basel III-related latest developments in Europe	
21 Apr	Financial inclusion check-in meeting	
27 Apr	High-level meeting for Latin-America on insurance supervision	
4–5 May	Cryptoassets	
18–19 May	High-level meeting for Europe	
18 May	Insurance supervision in the new normal	
18 May–30 Jun	BIS-NGFS Climate and Environmental Risks Online Course (CEROC)	
24–25 May	AI in risk management	
22–23 Jun	Meeting of Directors of Supervision	
25 Jun	FSI session at the BIS AGM	
25 Aug–1 Dec	FSI-IAIS regulatory and supervisory training online course (FIRST-ONE)	

FSI events in 2022

31 Aug–1 Sep	Digital assets - crypto assets, stable coins and emerging prudential treatment	
7 Sep	AFIR-FSI-IAIS High-level meeting for Asia-Pacific on insurance supervision	
8 Sep–23 Feb	BIS-IMF Supervisory and Regulatory Online Course (SROC)	
14–16 Sep	Governance, culture and behaviour risks	
21–22 Sep	Crisis planning, recovery and management	
28 Sep	Informal Suptech Network (ISN) series of webinars	
5–6 Oct	Securities markets, trading activities and market infrastructure	
19–20 Oct	High-level meeting for the Americas	
20 Oct	Informal Suptech Network (ISN) series of webinars	
26–27 Oct	Prudential oversight of climate risk in banks	
7–8 Nov	Workshop on financial inclusion	
8 Nov	Financial inclusion check-in meeting	
9–10 Oct	Crisis management	
22 Nov	Informal SupCap Network meeting	
29–30 Nov	Bank resolution, crisis management and deposit insurance issues	
6–7 Dec	Use of innovative technology in financial supervision (suptech)	
7–8 Dec	High-level meeting for Middle East and North Africa	
14–15 Dec	Climate-related financial risks	
15 Dec	Insurance resolution	

-  High-level meeting
-  Policy implementation meeting
-  Conference
-  Online course
-  Virtual seminar
-  Webinar and other events

New and updated FSIC tutorials and FSIC Executive Summaries

New suites

- Bail-in Execution
 - Central Bank Digital Currencies
 - Climate and Environmental Risks: Progress Report
 - Climate Risks in Banking: BCBS Principles
 - Climate Risks in Banking: Measurement
 - Climate Risks: TCFD Disclosures
 - Counterparty Credit Risk - An Introduction
 - Cyber Incident Response and Recovery
 - E-money Agents
 - E-money Consumer Protection
 - Fintech Enabling Technologies
 - Fintech Policy Enablers
 - Internal TLAC
 - IOSCO Principles
 - Liquidity Risk Management in Insurance
 - Macroprudential Supervision in Insurance
 - Open Banking and APIs
 - Principles for Operational Resilience
 - Supervisory Colleges
-

Updates

- BCP Assessment Methodology
-

Executive Summaries

- Principles for operational resilience
- Large exposures standard
- Core Principles for Effective Deposit Insurance Systems
- Risk data aggregation and risk reporting

FSI Advisory Board

The FSI Advisory Board provides strategic advice to the FSI to help it fulfil its mandate of promoting sound supervisory standards and practices while remaining responsive to the changing needs of financial sector authorities worldwide.

The Board aims to:

- provide guidance on the formulation of the FSI's strategic goals
- review the FSI's main achievements
- provide input on the FSI's draft programme of activities and products
- help promote awareness of the FSI and its activities

FSI Advisory Board members	
Agustín Carstens	General Manager of the BIS and Chair of the FSI Advisory Board
Andrew Bailey	Chair of the Standing Committee on Supervisory and Regulatory Cooperation of the Financial Stability Board
Michael Barr	Vice Chair for Supervision, Board of Governors of the Federal Reserve System
Victoria Rodríguez Ceja	Governor of the Bank of Mexico
Shaktikanta Das	Governor of the Reserve Bank of India
Andrea Enria	Chair of the Supervisory Board, European Central Bank
Yi Gang	Governor of the People's Bank of China
Pablo Hernández de Cos	Chair, Basel Committee on Banking Supervision
Lesetja Kganyago	Governor of the South African Reserve Bank
Haruhiko Kuroda	Governor of the Bank of Japan
Chang Yong Rhee	Chair, Executives' Meeting of East Asia Pacific Central Banks
Paulo Sérgio Neves de Souza	Chair, Association of Supervisors of Banks of the Americas
Victoria Saporta	Chair of the International Association of Insurance Supervisors Executive Committee
Sam Woods	Chief Executive Officer of the Prudential Regulation Authority, Bank of England

*Promoting global monetary
and financial stability*



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