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A new impetus for international cooperation

Challenging economic and financial conditions are often a catalyst for stronger international cooperation. The whole history of the European Union is a clear example of this. The EU has faced many challenges in the past, but it has always found a way to overcome them, based on the principle of seeking constructive compromises and joint solutions. This approach of common interests and shared responsibilities has determined the international success of peace and prosperity within the EU.

Likewise, in the midst of the global financial crisis of 2008/2009, the financial sector faced existential threats. At that moment and in a unique atmosphere of joint global effort, the G20 developed a comprehensive international reform programme to stabilize and reform the global financial system. This was key to restoring confidence in the financial sector and global economy. It also led to the creation of the Financial Stability Board, to monitor financial stability and coordinate the implementation of regulatory reforms. Implementation of the post-crisis G20 reforms has made the core of the global financial system more resilient and in a better condition to face the unprecedented current economic shock of COVID-19.

The turbulence on financial markets and the effects of the economic fall-out from the pandemic confront us with new challenges. It reminds us that our economies and financial systems are closely interconnected and that developments in different jurisdictions have important contagion effects across the global financial system.

In this context, the FSB will have a coordinating role to share information, closely monitor risks and coordinate action to maintain global financial stability and keep markets open. In close cooperation with national authorities and the international Standard Setting Bodies, jurisdictions are encouraged to make use of the flexibility within existing international standards to provide continued access to funding and ensure that adequate capital and liquidity resources are available where needed within the financial system. This will preserve the financial system's capacity to support and finance economic growth. The FSB will focus on the critical nodes of the global financial system, including the functioning of funding markets, international capital flows and unintended effects in different types of intermediaries. The FSB will monitor the policy responses and report to the G20.

For Europe in particular, the current situation should be used as an opportunity to improve international cooperation. Now more than ever, progress towards completing the European banking union is essential

to break the interconnectedness between governments and their domestic banking sector. The current unfinished agenda makes the European financial sector fragmented along national lines and vulnerable to idiosyncratic shocks. The unique characteristics of the European Union require further and well-designed steps to foster integration and strengthen the functioning of the single European financial market. In this context, additional measures are also needed to further develop the European Capital Markets Union to support open, integrated and developed capital markets to facilitate private risk-sharing and reduce systemic risks.

The unprecedented experiences of the dealing with the challenge of COVID-19 and resulting economic and financial fallout will test our dedication. Yet, as it has been in the past, it also creates new opportunities. There is ample evidence that policy responses are most effective when they are conducted in a joint and comprehensive approach, based on international standards.

In this spirit, I am convinced that the COVID-19 pandemic will provide a new impetus for international cooperation as the most effective path to ensure global financial stability. ●