

## [Banking and Finance Law Daily Wrap Up, FINANCIAL STABILITY—FSB Chair warns COVID-19 ‘not behind us yet’, \(Jul. 8, 2020\)](#)

Banking and Finance Law Daily Wrap Up

[Click to open document in a browser](#)

By Jacob Bielanski

The comments from Randal Quarles, who also serves as Vice Chair for the Board of Governors of the Federal Reserve, came in the context of general praise of financial system performance through the pandemic and recent release of an FSB evaluation of too-big-to-fail reforms.

Though too-big-to-fail (TBTF) reforms have worked to help to keep the banking system stable through the COVID-19 (coronavirus) pandemic, the Federal Reserve Board Vice Chair Randal Quarles [warned](#) a webcast audience July 7 that more work remained on reforms and that the pandemic is "not behind us yet."

Quarles pointed to an estimated 4.9 percent drop in the global economy through 2020 from the International Monetary Fund (IMF), noting that such a contraction would be "much worse" than what occurred during the 2007-08 financial crisis. "While some indicators suggest a rebound in activity, the path of recovery remains highly uncertain," he said.

The comments come on the heels of the release of a [report](#) on TBTF from the Financial Stability Board (FSB), of which Quarles serves as Chair. He noted that while most of the work on the report was done prior to the coronavirus outbreak, it still proved relevant in evaluating global financial readiness in dealing with the pandemic. In particular, the post-reform ability of banks to provide "timely, accurate and granular information" has helped both banks and authorities in responding to the pandemic. Quarles credited this to the TBTF emphasis on resolution strategies.

"In hindsight, most authorities around the world had given [failing bank resolution] far too little attention," Quarles said. "This was the main reason why authorities had so few options for our global systemic banks in the middle of the [2007-08] crisis."

Quarles warned, however, that increasing market share by non-bank financial companies means economic risk is moving increasingly outside of the banking realm. The FSB has begun focusing on developing frameworks for applying similar reforms to the non-bank sector, an effort that began prior to the coronavirus outbreak, but he noted that the panel of bank and non-bank authorities' work has since been given "focus and vitality" in the face of the pandemic. In addition, he said the FSB announced its next TBTF evaluation will look at money market funds, which Quarles said were "were once again front and center in the COVID event."

Quarles invited responses to the latest FSB report, due by the end of September, with feedback to be published in a final report expected in early 2021. Though the FSB was interested in responses from a "wide range of stakeholders," he cautioned that submission should be "grounded in evidence."

The July 7 comments, delivered via webcast, were hosted by the Exchequer Club in Washington, D.C. Quarles speech title, "Global in Life and Orderly in Death: Post-Crisis Reforms and the Too-Big-to-Fail Question," was a reference to the challenges faced by authorities in resolving failed banks that were summed up in a comment made by then-Governor of the Bank of England, Mervyn King, in 2010. At that time, King had noted that "most large complex financial institutions are global—at least in life if not in death."

RegulatoryActivity: BankingOperations Covid19 FederalReserveSystem FinancialStability