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**Statement by Mr. Mohieldin, Mr. Alhosani, and Ms. Abdelati on FSAP Review
(Preliminary)
Executive Board Meeting
May 12, 2021**

We thank staff for the comprehensive and balanced set of papers and for their bilateral outreach to our office and outreach to member countries. The FSAP is an essential element of the Fund's work and it is encouraging that the Surveys confirm the valuable contribution of the FSAPs to policy formulation and risk mitigation.

We see this FSAP Review as having two distinct and complementary objectives, both of which we consider as necessary and strongly support. The first objective is to continue delivering on the earlier identified priorities to strengthen financial surveillance. The second is to incorporate the emerging issues that have become more critical for effective financial sector surveillance. This meeting builds on the recommendations of the 2010 and 2014 Reviews, and reflects the outcome of discussions in the informal meetings with the Board in March 2019, December 2020 and March 2021, as well as the financial sector proposals discussed as part of the recent Comprehensive Surveillance Review.

We fully support building on past progress and continuing to strengthen staff work on the earlier identified priorities. The immediate priority is to address the challenges of rising vulnerabilities during the pandemic and managing the exit from emergency policies, in spite of the resilience built since the global financial crisis. As also confirmed by surveys of members views, there is a need to build on past progress, and to continue to emphasize systemic risk, to deepen quantitative analysis of nonbank financial sector, to further explore interconnectedness, and to deepen the work on macroprudential policies. In the post pandemic period, coverage of the management of nonperforming loans will need to be strengthened, as well as challenges to systemic liquidity following the withdrawal of support measures.

We support flexibly balancing resources with priorities, including adding risks from climate and technological change, and new issues such as cyber risks, digital money, and fintech in the calibration of macroprudential policies. Staff should **continue to strengthen**

the risk-focused approach and to customize the scope of an FSA in light of evolving challenges within the 3-pillar framework of risk analysis, oversight, and safety nets.

We place high priority on strengthening analytical tools as the Fund needs to remain a leader in order to ensure traction and value added. In this regard, we welcome the additional tools for calibration of macroprudential policies. We also look forward to the development of assessment methodologies and tools for fintech, cyber risk and climate risks, to the extent data permits. *While we welcome the combined use of different models to measure macrofinancial interactions, we call for caution in drawing policy advice on experimental models and tools.*

In this regard, we welcome proposals to further improve traction by better integrating FSAP work with Article IVs. We welcome the stability risk analysis tools being developed for the Article IV teams. We think it is important to include a summary of the authorities' view in the FSAP reports, as is done in the Article IV reports and the early engagement of MCM in the preparation of AIV consultations. We concur with the merit of ensuring participation of the AIV mission chief in the FSAP concluding meeting. We have also found it useful to include specialized MCM experts in Article IV missions. We also support the conduct of regional exercises on thematic topics and the assessments of financial policies at the supra-national levels, where appropriate. Re-prioritization and reallocation of resources within MCM should not compromise the country coverage of FSAPs and the departments' involvement in country team's work. Therefore, as stated in the budget discussions, it is important to ensure that MCM has adequate resources to carry out its mandate.

We place the utmost priority on ensuring adequate resources to respond to members' capacity development requests, to strengthen integration of financial surveillance in Article IVs with a stronger analytical underpinning, and to cover the new emerging areas. As such, regarding the staff proposal to adjust the list of mandatory FSAP assessments by having 32 FSAPs on a 5-year cycle and 15 FSAPs on a 10-Year cycle, our main priority is to ensure that this expansion and related resources does not detract from provision of CD or coverage of new areas of sector work that MCM needs to cover (fintech, digital money, and climate risks). It is not clear that we need to add to the number of jurisdictions under mandatory FSAPs, which do not necessarily add to the coverage of systemic risks, but we can go along with the proposal. As stated in the context of the CSR, we strongly support the provision of adequate resources to deliver on the surveillance priorities and to deliver on the provision of CD requests.