THE IMPORTANCE OF EFFECTIVE FINANCIAL MARKETS DURING THE COVID-19 OUTBREAK

Financial markets are critical infrastructure for the global economy. The markets continue to serve the needs of participants to raise capital, manage investments, access cash and manage risk that affects both retail and institutional investors. The market price formation process provides vital information to decision makers in the business, financial and government sectors.

As nations restrict personal mobility to help contain the spread of COVID-19 with the resulting consequences for economic activity, it is vital that any steps taken continue to recognise the need for financial market participants to provide the services that are necessary for the continued functioning of the financial markets and the financial system more broadly. As part of that, jurisdictions must clearly deem necessary financial services staff as ‘essential’ and ensure that they can access their sites of work to maintain critical functions.

The financial system comprises financial institutions (including banks, securities broker-dealers, investment managers, insurance funds and pension funds), financial markets and the associated infrastructure required to support their activities. These components operate in a tightly integrated manner; for instance, financial markets provide an essential mechanism for banks to raise funds used to provide loan finance to business and household clients. Financial markets also provide the capability for banks to transfer risk between themselves and accept risk from their clients. The efficiency of the financial system depends on how well this occurs in practice; both in terms of practical cohesion of the various types of operations within the system and through containment of systemic risk.

Effective financial markets will help to ensure the maintenance of business and investment activity during the COVID-19 outbreak, support investor confidence and provide a base for economic recovery once the pandemic is contained.

ICSA welcomes the commitment given by IOSCO’s Board in its statement on 25 March 2020 to ensure that capital markets continue to function throughout this difficult period in an open and orderly manner to enable all participants to price and transfer risk across all traded asset classes.

ICSA commends the work by the Financial Stability Board, in conjunction with international standard setting bodies, to coordinate action to maintain global financial stability, keep markets open and functioning, and preserve the financial system’s capacity to finance growth.

30 March 2020