

Regulatory Affairs
Financial Division

MacroPrudential, where do we go

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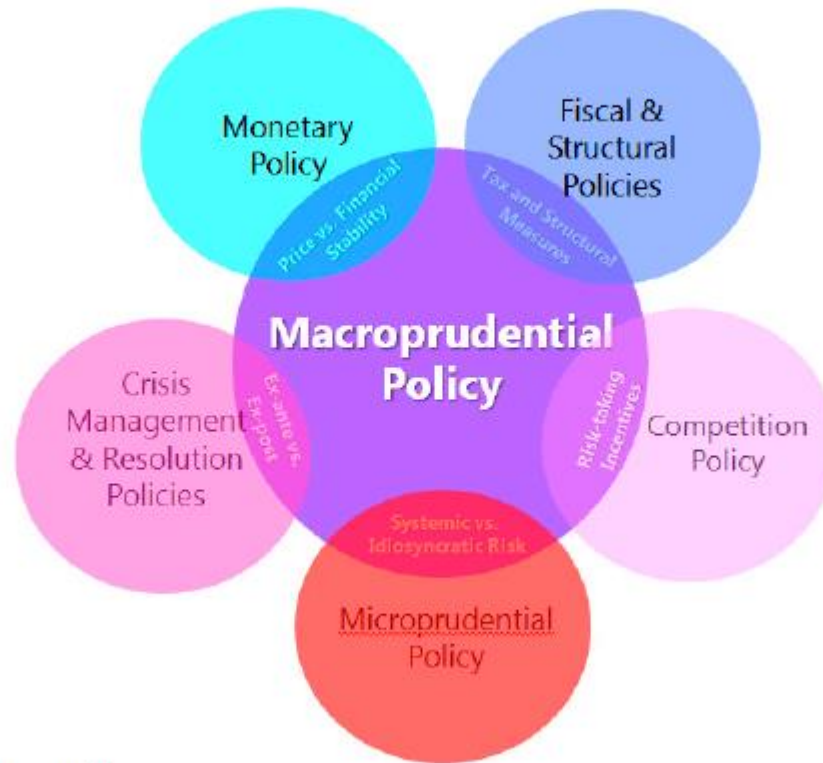
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Macroprudential: The “official” view

Relationship between Macroprudential and Other Policies



Source: IMF staff.

1. What is (is not) Macroprudential

Macro
Prudential

1

What is not?

- ➔ Anything covered by another policy tool
- ➔ A stable policy tool with continuous mandates

2

What it is?

- ➔ A toolkit for systemic risks to the economy
- ➔ “Systemic”, i.e. with externalities beyond a single traditional policy
- ➔ Exceptional: Requires in depth understanding of externalities and interactions in financial stability
- ➔ Poliedric: Close cooperation and communication among all the other policy makers (policy tools)

1. Contents of Macroprudential

Contents

1

What should it do?



Address externalities or unwanted consequences

Be proactive – identify potential spillovers and decrease linkages and building of imbalances

Be reactive – assure that unintended consequences of asset crashes are small

2

What is it in practice?



Countercyclical buffers, dynamic provisioning



Housing markets: LTV, LTI, DTI



Sectoral: foreign currency mismatches (indexing),



Liquidity tools: mainly capital flows

3. Governance of Macroprudential

Challenges

- It can arise from a large number of policies
- It deals with systemic externalities
- Its governance must be encompassing
- It is not national in nature – many externalities likely to arise cross-border

Actual Governance

- Controlled by one institution: central banks
- Focused – almost exclusively on banking
- No systemic approach to analyze its implications
- Mainly national. No international governance exists (except Curr Union)

Governance: Any hope?

4. Challenges to Macroprudential

...Lots of talk ... lack of action

1

Lack of clarity on short-term / long-term goals

2

Lack of simple mandate – lots of policy/political implications

3

How to measure success? By avoiding excess? By cleaning up the mess?

4

Coordination of issues?

