The impact of macroprudential policies: An empirical analysis using credit registry data

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The views expressed in this presentation are those of the authors and not necessarily those of the Bank for International Settlements
Motivation of the project

- Development of macroprudential policy tools has been one of the most significant changes in past years

- Implementation raise challenges:
  - What is the impact of macroprudential policies (e.g., credit supply, bank risk taking)?
  - What is the interaction of MPPs with monetary policy and the business cycle?

- Effectiveness should be analysed with respect to the specific goal to achieve:
  - increase the resilience of the financial system or
  - to tame financial booms and busts
Use of macroprudential measures over time


Motivation of the project (2)

- Most of the studies use aggregate data or bank-level data. A very limited use has been done of credit registry data (exceptions Jimenez et al, 2012; Dassatti and Peydro, 2014)

- Joint project under the auspices of the Consultative Council for the Americas (CCA):
  - Credit register data for five countries Latin America countries: AR, BR, CO, MX, PE (good laboratory)
  - Not possible to pool the data (data highly confidential)
  - Research protocol (same modelling strategy and similar data definition)
  - Focus on domestic credit. Project wants to complement the analysis of the IBRN (cross-border spillover of macroprudential tools)
  - Meta analysis (different macroprudential tools)
Output

- 10 papers
  - 5 using credit register data (AR, BR, CO, MX, PE) inspired by a common protocol but enriched with tailored analysis
  - 1 summary paper using meta-analysis techniques
  - 4 country teams analyzed specific macroprudential episodes using other sources:
    - US project aims at evaluating recent changes introduced by Comprehensive Capital Analysis and Review and Dodd Frank Act Stress tests
    - The paper for Canada focuses on the evaluation of policies in the housing market related to changes in LTV ratios
    - Chilean paper estimates the effect on LTV in the housing loan market due to an unexpected statement done by the Central Bank concerning to the housing price dynamics
    - Brazilian paper analyses the introduction of LTV limits on borrower and contract characteristics
Macroprudential policies analysed: Sum up

<table>
<thead>
<tr>
<th>Type of instrument</th>
<th>Measures</th>
<th>Tightening episodes</th>
<th>Loosening episodes</th>
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**a. Enhancing Resilience**
- Capital requirement/Risk weights (RW): 1 1 0
- Provisioning requirement (Prov): 5 5 0
- Limits on dividend distribution: 2 2 0
- Liquidity ratios: 0 0 0

**b. Dampening the cycle**
- Changes in reserve requirement (RR): 3 3 3
- Changes in limits on net open position (NOP): 1 1 0
- Changes in LTV, DTI limits: 3 3 2
- Limits on credit growth or lending to specific sectors: 0 0 0
- Requirement on external borrowing operations: 2 1 1

**c. Dispelling the gestation of cycle**
- Levy/tax on specific assets/liabilities: 0 0 0
- Introduction of limits on Net open position (NOP): 1 1 0
- Official warnings on specific vulnerabilities: 2 2 0
- Adjustments to lending standards: 2 2 0

**Total** 22 21 6

Note: The distinction is based on Claessens et al (2013)