

## Press release

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Ref no: 18/2012

11 April 2012

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### **Bank of Korea – Bank for International Settlements – International Monetary Fund**

#### **Joint conference concludes on macrofinancial linkages and their policy implications**

The Bank of Korea, the Bank for International Settlements and the International Monetary Fund have today brought to a successful conclusion their joint conference on “Macrofinancial linkages: Implications for monetary and financial stability policies”. Held on April 10–11 in Seoul, Korea, the event brought together central bankers, regulators and researchers to discuss a variety of topics related to interactions between the financial system and the real economy. The goal of the conference was to promote a continuing dialogue on the policy implications of recent research findings.

The conference programme included the presentation and discussion of research on the following issues:

- Banks, shadow banks and the macroeconomy;
- Bank liquidity regulation;
- The macroeconomic impact of regulatory measures;
- Macroprudential policies in theory and in practice;
- Monetary policy and financial stability.

Efforts to recast monetary and financial stability policies to reduce the frequency and severity of financial crises have focused attention on the interactions between the financial system and the macroeconomy. The crisis demonstrated that financial system weaknesses can have sudden and long-lasting macroeconomic effects.

The conference concluded with a panel discussion chaired by Stephen Cecchetti (BIS), and including Jun Il Kim (Bank of Korea), Jan Brockmeijer (IMF), Hiroshi Nakaso (Bank of Japan), and David Fernandez (JP Morgan). The panel discussion focused on the lessons or guideposts for the formulation and implementation of macroprudential and monetary policies that can be drawn from the intensive research efforts on macrofinancial issues in recent years, as well as on the

empirical evidence on the effectiveness of policy measures. The roundtable also included a discussion of weaknesses in our understanding of macrofinancial linkages and touched on priorities for future research, analysis, and continuing cooperation between central banks, regulatory authorities, international organisations and academics.

Introducing the conference, Choongsoo Kim, Governor of the Bank of Korea, said, “Since major countries’ measures to reform financial regulations, including Basel III of the BCBS, focus mostly on the prevention of crisis recurrence, we need to continuously monitor and track how these measures will affect the sustainability of world economic growth in the medium- and long-term. In doing so, we should be careful so that the strengthening of financial regulation does not weaken the benign function of finance, which is to drive the growth of the real economy through seamless financial intermediation. Moreover, in today’s more closely interconnected world economy, the strengthening of financial regulation with a primary focus on advanced countries does not equally affect the financial system in emerging market countries with their significantly different financial structure. Hence, in examining the implementation of regulations, an in-depth analysis should be conducted of how these regulations will affect the financial industries of emerging market countries and all other countries other than the advanced economies and their careful monitoring is called for.”

Stephen Cecchetti, Economic Adviser and Head of the BIS Monetary and Economic Department, remarked that “It is important that we continue to learn about the mechanisms through which financial regulation helps to stabilize the economic and financial system. We are not only exploring the effectiveness of existing tools, but also working to fashion new ones. Doing this means refining the intellectual framework, including both the theoretical models and empirical analysis, that forms the basis for macroprudential policy and microprudential policy, as well as conventional and unconventional monetary policy. The papers presented and discussed in this conference are part of the foundation of this new and essential stability-oriented policy framework.”

Jan Brockmeijer, Deputy Director of the IMF Monetary and Capital Markets Department, added that “All the institutions involved in developing macroprudential policy frameworks are on a learning curve both with regard to monitoring systemic risks and in using tools to limit such risks. In such circumstances, sharing of views and experiences is crucial to identifying best practices and moving up the learning curve quickly. The Fund is eager to help its members in this regard, and the conference co-organised by the Fund is one way to serve this purpose.”