Macroprudential frameworks: objectives, decisions and policy interactions

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Abstract

This note discusses macroprudential frameworks in emerging market economies (EMEs) and the role that central banks play. It reviews how central banks organise themselves to promote financial stability. Much of the discussion is based on the replies to a questionnaire sent in late 2016 a group of EME central banks. Some conclusions are that about two thirds of the central banks surveyed have a financial stability mandate but not necessarily in the form of a quantitative goal. Respondent central banks have control over a large array of macroprudential tools. But in several countries, decision-making powers and control over instruments remain diffused across institutions. In such cases, policy coordination implementation tilts towards favouring the central bank's role of *"primus inter pares"*.

Keywords: financial stability, macroprudential policy, systemic risk, central banking

JEL classification: E58, E60, G18, G28

Policy frameworks in many economies have changed notably since the Great Financial Crisis. In particular, central banks now pay greater attention to macro-financial linkages than before and many have experimented with a macroprudential orientation of their financial stability policy. This note discusses macroprudential frameworks in emerging market economies (EMEs) and the role that central banks play within such frameworks. In some economies, the central bank is at the centre of the macroprudential arrangement while in others it has no explicit financial stability mandate. Even so, most central banks devote considerable resources to the promotion of financial stability. The note focuses on how central banks organise themselves to do this. In particular, it considers the advantages and disadvantages of specific arrangements, and looks at a number of open issues. Much of the discussion is based on a questionnaire prepared specifically for the meeting (see the Annex tables for the detailed results).

At the core of the macroprudential approach is a more systemic orientation of prudential regulatory and supervisory arrangements. National definitions of what might constitute "macroprudential" differ but they often distinguish between two intermediate objectives. The first is to increase the resilience of the financial system and the second is to constrain financial booms.[1] The second goal is more ambitious and raises issues about how the framework is implemented and integrated with other macroeconomic policies (Borio (2014)). The framework's performance is to be assessed against these objectives.[2, 3]

Not everything in macroprudential frameworks is new. In particular, central banks have been playing a significant role in promoting financial stability for a long time. Most prominent is their function as lenders of last resort (Bagehot (1873)). But they have also been involved in policies directed at preventing crises. Oversight of the payment system and, in many economies, a major role in financial regulation and supervision are cases in point. What is more novel, at least to some extent, is the explicit focus of regulation and supervision on the financial system as a whole, rather than the safety and soundness of individual institutions. This more systemic approach may sometimes require significant changes to existing frameworks.

A number of features are generally regarded as desirable for macroprudential frameworks. First, a clearly specified objective and usable instruments. For instance, what is meant exactly by "systemic"? What instruments may be used to address the two intermediate objectives of ensuring resiliency and preventing outsize boom-bust cycles? Second, a good alignment of decision-making powers over instruments with

[1] Sometimes the two objectives are referred to as defending the banks from the financial cycle and defending the financial cycle from the banks, respectively.

[2] In the definition of BIS-FSB-IMF (2016), macroprudential policy involves "the use of primarily prudential tools to limit systemic risk. It pursues the following interlocking objectives: (1) increase the resilience of the financial system to aggregate shocks by building and releasing buffers that help to maintain the ability of the financial system to function effectively, even under adverse conditions; (2) contain the build-up of systemic vulnerabilities over time by reducing procyclical feedback between asset prices and credit containing unsustainable increases in leverage, debt stocks, and volatile funding; and (3) control structural vulnerabilities within the financial system that arise through interlinkages, common exposures, and the critical role of individual intermediaries in key markets that render individual institutions too big to fail".

[3] Macroprudential frameworks comprise two dimensions: the time dimension (mainly concerned with procyclicality) and the cross-sectional/structural dimension. This note focuses on the former, which is why it does not deal with capital surcharges for systemically important financial institutions or other issues relating to the resilience of the financial system.

the know-how and willingness to deploy them (Borio (2014)). Otherwise, central banks may be forced to use existing instruments (for instance, monetary policy ones) for purposes for which they have not been specifically designed. Third, a clear relationship between the various institutions mandated with financial stability and other policy objectives. For instance, how should one weigh the side effects of macroprudential measures? Fourth, arrangements to avoid mission creep, so that policies do not drift from ensuring financial stability towards other objectives such as managing the business cycle. Finally, a degree of insulation from political cycles. This is important because systemic risk often builds up over prolonged periods so that measures have to be taken when times appear good.

This note is structured as follows. The first section discusses the relationship between the objective of macroprudential frameworks – financial stability – and central bank mandates. The second focuses on central banks' decision-making powers. The third lays out how central banks interact with other institutions in pursuing financial stability and how decisions on macroprudential instruments relate to other policies.

Objectives

The questionnaire responses indicate that most central banks in EMEs have explicit financial stability objectives, although these may be phrased quite differently (Table 1). Out of 24 central banks, 12 have a financial stability objective articulated as "promoting financial stability" or "reducing systemic risk". Another six have somewhat narrower objectives, for instance ensuring the "soundness of the banking sector" and/or the well-functioning of the main financial infrastructure. One central bank is mandated to oversee the "normal functioning of internal and external payments" and another is constitutionally bound "to regulate credit in the financial system". Only four do not have a formal financial stability mandate.

In many cases, financial stability objectives are enshrined in law. A statutory mandate provides clarity and certainty to the framework: the central bank is allowed to quantify its objective and take action to achieve it. But it is also held accountable. Of the 18 central banks with a broad financial stability objective, 11 have a statutory mandate and in two cases, Israel and South Africa, legislation to establish one is pending as of early 2017. In most cases, the financial stability objective is contained in the central bank charter. But it can also be part of financial institutions or banking law (Hong Kong, Indonesia and, in draft legislation as of early 2017, Israel and South Africa) or the constitution (in the case of Peru). Where a statutory financial stability mandate is absent, the central bank's financial stability objective may be set by an external body (eg Brazil, China and the Philippines)[4] or by the central bank itself (the Czech Republic and Saudi Arabia). In two cases (China and Colombia), the central bank's financial stability objective is grounded in its charter but this appears not to be a mandatory objective. In both cases, prudential supervision and oversight of the financial system rest with another government body.

[4] In Brazil and the Philippines, the central bank is part of the body setting the macroprudential mandate. In Brazil, this is done by the National Monetary Council (CMN) and in the Philippines by the Financial Stability Coordination Council (FSCC).

In a number of cases, a central banks also specifies an explicit macroprudential mandate. This is true for seven central bank respondents. In others, a macroprudential objective can be accommodated within the financial stability mandate (Chile) or is identical to it (Thailand). In describing their macroprudential objective, these central banks make reference to "financial (or banking) system resilience" (Brazil, the Czech Republic, Hungary and Thailand), "decreasing systemic risk" or countering "the materialisation of systemic risk" (China and Poland) or "microprudential regulation and supervision" (India). Ten central banks state that they do not have a macroprudential objective, although half of them have financial stability objectives. Finally, five central banks did not provide an answer or said that this was not relevant to their situation, although they make use of some macroprudential tools.

Overall, the responses indicate that roughly one third of the EMEs that have a broader or narrower financial stability objective also have a macroprudential one of some sort. This need not constrain the ability of some of the other two-thirds to use macroprudential tools, but it could raise issues. An obvious one is within what policy framework to deploy them and, if not an articulated one, with what goal in mind.

Instruments

Defining what exactly constitutes a macroprudential instrument is not straightforward and depends on its purpose as much as on its inherent characteristics. Central banks deploy a large array of tools to improve the resilience of the financial system and constrain financial booms but this does not necessarily make them macroprudential. Prudential tools can be used for both micro- and macroprudential purposes, depending on whether they are aimed at strengthening the stability of individual institutions or that of the system as a whole. A good example is the leverage ratio. It is clearly a prudential tool but no country mentioned in the questionnaire responses that it was used for macroprudential purposes. Similarly, instruments, such as reserve requirements, can be used for both monetary and macroprudential purposes. And some central banks use non-prudential tools, such as capital flow management measures, in order to reduce systemic risk. Whether this makes them macroprudential is open to debate.

Central banks' ability to employ macroprudential instruments varies across jurisdictions. Thirteen central banks have full control over macroprudential tools such as countercyclical capital buffers and capital requirements, margins and haircuts, sector-specific capital requirements for the banking sector and debt service-to-income and loan-to-value ratios, among others (Table 2).[5] In five cases, these instruments are under the control of another institution.[6] In two cases, the central bank shares decision-making powers with the banking supervisor or another government body (Brazil and South Africa). In several jurisdictions, some instruments are simply unavailable. For instance, dynamic provisioning and sector-specific and countercyclical capital requirements are not available in Chile, China, the Czech

[5] The Czech Republic, Hong Kong, Hungary, India, Israel, Malaysia, the Philippines, Russia, Saudi Arabia, Singapore, South Africa, Thailand and the United Arab Emirates.

[6] Colombia, Korea, Peru, Poland and Turkey.

Republic, Hungary, Korea, Singapore[7] and Turkey. A smaller group of central banks reported that they can employ capital requirements for specific institutions (eg SIFIs and G-SIFIs).

The link between central bank objectives and the availability of macroprudential instruments appears to be weak. For example, the central banks of the Czech Republic, Hungary and Thailand have both a macroprudential objective and sole control over policy tools. But in Colombia, Indonesia and Poland, the central bank has a macroprudential objective whereas decision-making power over policy instruments rests with another authority. Several central banks make use of macroprudential instruments in pursuit of a macroprudential objective but objective this is not very well defined.

Overall, it appears that central banks have more instruments at their disposal to strengthen the resilience of the financial system than to rein in financial booms (Table 2). Some instruments listed in the questionnaire responses have a strong microprudential focus – for instance, loan maturity and concentration limits. This may reflect a notion of financial stability associated with the soundness and solvency of individual institutions. However, the existence of well capitalised institutions may not provide full protection against a severe financial bust. And the build-up of buffers may not succeed in reining in the growth of credit, asset prices and risk-taking (Borio (2014)). This is a more ambitious objective and decisions relating to the use of some instruments over others can provide a better outcome. The notes from the central banks of Malaysia and Singapore stressed the macroprudential role of LTV, DTI and DSTI ratios in mitigating systemic risks.

But moving forward with macroprudential policy decisions is likely at some point to intersect with macroeconomic policy. Macroprudential policy involves the dynamic adjustment of parameters of a regulatory nature. This tilt of policy towards cyclical risks is new and less established, bringing attention to governance arrangements.

Many central banks also use monetary policy instruments as part of their macroprudential toolkit. For example, those of Argentina, Brazil, Chile, Colombia, Peru and Turkey list instruments with a macroprudential purpose, such as reserve or cash requirements on domestic deposits (Table 2). In particular, central banks in countries where the macroprudential framework is not yet in place resort to monetary tools, as these tend to be under their control. Though not mentioned in the responses, reserve requirements on domestic deposits have been used also in China to moderate credit growth and tighten financial conditions.

Many central banks also list instruments specifically targeted at foreign exchange or asset positions.[8] Indeed, there is evidence that financial stability in EMEs is intrinsically related to the strength of national balance sheets and foreign asset positions. Instruments used for this purpose include reserve requirements on foreign currency deposits, liquidity requirements on foreign currency liabilities and limits on foreign currency positions. They tend to be under the control of the central bank or bank supervisors. Tools to deal with positions in the non-banking sector often rest with other authorities (ie the ministry of finance or market supervisors) or joint bodies.

[7] In the Czech Republic and Singapore, the central bank can make use of countercyclical capital requirements.

[8] These are listed under "Other instruments" in Table 2.

There remains an open debate about the *macroprudential* nature of exchange rate-related instruments. They have the potential to reduce the risks associated with exchange rate movements for individual institutions. By placing limits on positions and exposures, the resilience of the system is positively impacted. Whenever private and social costs of positions and exposures differ – for example, when liquidity in foreign currency might be costly to provide – the cutback in positions might be the goal of policy. But there are costs to such policy, including potential circumvention or spillovers to other economic sectors' balance sheets.

The precedent discussion helps to explain why governance arrangements and control over instruments, especially those operating under time-varying policy, remain diffused. They tend to be under the control of the central bank or the banking supervisors. But the tools required to deal with positions in the non-bank sector often lie with other authorities (ie the Ministry of Finance or market supervisors) or joint bodies.

Coordination

Tool deployment decisions sometimes need to be coordinated across authorities. This could be because decision-making powers are divided. For example, rules may be under the control of independent prudential regulators while the responsibility for system-wide analysis may lie with the central bank. Spillovers and complementarities with other policy measures provide another reason for coordination. Macroprudential measures interact with other policies and may be more effective if they all work in the same direction. Coordination may also broaden political and social support. This is particularly important for tools targeted at narrowly defined activities. One example is restrictions on specific types of lending, as these often have strong distributional consequences and may thus be prone to political pressure.

The most common coordination device is inter-agency committees. According to survey responses, 14 out of 24 countries have such committees, often with the central bank playing a leading role (Table 3).[9] For instance, the central bank governor chairs the committee in Indonesia, Malaysia, the Philippines, Poland, South Africa and Thailand. In the other cases, the central bank has a seat or holds a senior advisory position. Often, central banks are represented by several officials or draft the initial analysis upon which decisions are based, which enhances their influence.[10]

In principle, an inter-agency body could facilitate coordination and help resolve disagreements over macroprudential measures. In practice, however, the experience is not uniformly positive. Only six out of the 14 central banks in countries with inter-agency committees mentioned that these had helped coordinate policies. Several responses stressed that the decision-making power over policy actions remained with each individual authority, which raises questions about the effectiveness of coordination. Another feature is the breath of goals of several such committees.

[9] Alternatives include bilateral coordination (Argentina and Peru) or making the central bank the sole authority responsible for financial stability (the Czech Republic and Hungary).

[10] In the case of Mexico, the governor and two deputy governors are members. A Bank of Mexico official also acts as Secretary to the committee. In the case of Brazil, the central bank holds the permanent secretariat of the CMN.

Often, the functions of committees do not seem to drive their design; their purpose is simply to bring different authorities together.

Coordinating macroprudential measures with monetary policy is particularly important. The reason is that monetary policy has a strong influence on credit growth, asset price dynamics and risk-taking, which, in turn, are at the heart of financial stability risks. At the same time, coordination cannot go too far because price stability, the main objective of monetary policy, is not within the remit of macroprudential frameworks. The notes prepared by central banks for this meeting show divergent views on the relationship between the two policy areas. The document prepared by the Bank of Thailand emphasises complementarity between macroprudential and monetary policies. The paper by the Bank of the Republic, Colombia, also notes the complementary relationship mentioned by Gomez (2017). By contrast, the paper drafted by the Czech National Bank mentions that they are intertwined but that there is no particular relationship of complementarity or substitution.

Placing the responsibility for both monetary and macroprudential decisions within the central bank may make coordination between the two policy areas easier. But it does not fully address the issue of policy conflicts: any tensions would still have to be resolved. This could be done through the same body taking both types of decision. Our survey shows that this is the case in 11 central banks where either the governor or an internal committee takes both decisions. At four other central banks, decisions are taken by different bodies within the institution, with a large overlap of members. The note prepared for this meeting by the Central Bank of Brazil regards this arrangement as having the advantage of avoiding conflicts of interest.

Annex

Central banks' financial stability objectives

Survey among central banks

Table 1

	Financial stability objective	Statutory mandate	Source of mandate	Macroprudential objective
Argentina	To promote financial stability	Yes	Central bank charter	
Brazil	Efficient, solid financial system	No	Central bank's mission statement	Yes, narrow objective
Chile	Normal functioning of internal and external payments	Yes	Central bank charter	No. The central bank has the power to accommodate it under its mandate
China	Multiple, all-encompassing and diffuse objective bringing together different policy frameworks and targeting financial institutions, markets and payment infrastructure	No	Central bank charter	Yes, three-pronged macroprudential objective
Colombia	To promote financial stability	No	Central bank charter	No
Czech Republic	Resilience of the financial system that reduces the risk to financial stability	No	Financial stability report	Yes, to set up macroprudential policy
Hong Kong	To promote banking stability	Yes	Banking Law	
Hungary	To maintain the stability of the financial system	Yes	Central bank charter	Yes, resilience of the system (in its wider form)
India		No	Central bank internal organisation	Microprudential regulation and supervision implemented with a macroprudential approach
Indonesia	Stability of the financial system	Yes	Financial sector regulation act	To prevent and reduce systemic risk
Israel	Stability and orderly work of the financial system	Yes		No
Korea		No		No
Malaysia	To promote financial stability; more specifically, soundness of institutions and oversight of markets and their infrastructure	Yes		

(*) The government, the central bank and the banking supervisor promote financial stability through resolving risks.

Source: Central bank replies to the questionnaire, comprising a succinct summary of replies to questions 1a–d.

Central banks' financial stability objectives

Survey among central banks

Table 1 (cont)

	Financial stability objective	Statutory mandate	Source of mandate	Macroprudential objective
Mexico	None			No
Peru	To regulate credit in the financial system	Yes	Constitution	No
Philippines	Smooth functioning of the financial system	No	Financial Stability Committee	No
Poland	To eliminate or reduce systemic risk	Yes	Central bank charter	Resilience of the financial system if systemic risk materialises
Russia	Soundness of the banking sector and stability of the payment system and financial markets	Yes	Central bank charter	No
Saudi Arabia	Seamless functioning of the financial system	No	Financial stability report	
South Africa	Monitoring of systemic financial risk and restoring of systemic stability	No	Financial Sector Regulation Act	
Thailand	Soundness of the banking sector	Yes	Central bank charter	Same objective as the financial stability one
Turkey	Soundness and efficient functioning of the banking sector	Yes	Central bank charter	
UAE	None			No

Source: Central bank replies to the questionnaire, comprising a succinct summary of replies to questions 1a–d.

Instruments in macroprudential frameworks

Table 2

	Argentina	Brazil	Chile	China	Colombia	Czech Republic
Countercyclical capital buffers	CB	CB / CMN		CB / CBRC (2)	MoF	CB
Dynamic provisions	CB			CB	SB	
Sectoral capital requirements	CB	CB / CMN			MoF	CB
Countercyclical capital requirements	CB	CB / CMN			MoF	
Margins and haircuts	CB / CNV (1)	CB / CMN			MoF	CB
LTV ratios	CB	CB / CMN	SB	CB / CBRC (2)	MoF	CB
Debt-to-income ratios	CB	CB / CMN	SB		MoF	
Limits on currency mismatches	CB / MoT / MoF	CB / CMN	CB		CB	CB
Other instruments (3)	*Cash reserve requirements; D-SIB and capital conservation buffer* [CB] *Limits on financing to individual borrowers* [CB/MoT/MoI (4)]; *capital flow regulations* [CB/MoT]	*Ratio of reserve requirements* [CB] *Time-varying/excepted loss; limits on short spot FX positions* [CB/CMN] *Capital flow management* [MoF]	*Reserve requirements on foreign capital inflows; reserve requirements on deposits* [CB]	*Provisions for foreign exchange forward sales; programme of macroprudential management of cross-border financing; reserve ratio for offshore financial institutions' deposit at onshore financial institutions* [CB]	*Reserve requirements* [CB] *Liquidity requirements* [SB]; *limits on foreign investment* [MoF]	*D-SIB capital buffers* [CB]

[1] Except for those transactions in which a regulated financial institution is involved. [2] In the case of the China Banking Regulatory Commission (CBRC), it requires its countersignature. [3] As disclosed by the central banks. [4] In the case of financing to provinces.

CB = central bank; CBRC = China Banking Regulatory Commission; CMN = National Monetary Council; CNV = Comisión Nacional de Valores; D-SIB = domestic systemically important bank; MoF = Ministry of Finance; MoI = Ministry of the Interior; MoT = Ministry of the Treasury; SB = Superintendencia de Bancos (Banking Supervisor).

[...] shows the decision-making institution with regard to the instrument.

Source: Central bank replies to the questionnaire, comprising a succinct summary of replies to question 2.

List of instruments in macroprudential frameworks

Table 2 (cont)

	Hong Kong	Hungary	India	Indonesia	Israel	Korea
Countercyclical capital buffers	CB	CB	CB	CB	CB	FSS
Dynamic provisions	CB		CB		CB	
Sectoral capital requirements	CB	CB	CB		CB	
Countercyclical capital requirements	CB	CB	CB	FSA		
Margins and haircuts	CB		CB			
LTV ratios	CB	CB	CB	CB		FSS / FSC
Debt-to-income ratios	CB	CB	CB			FSS / FSC
Limits on currency mismatches	CB	CB	CB	CB		FSS / FSC
Other instruments (1)		*Limits on maturity mismatches; systemic risk buffer; O-SII capital buffer* [CB]	*D-SIB framework* [CB]	*Reserve requirement based on bank's loan-to-funding ratio* [CB]		*Loan-to-deposit ratio regulation; G-SIB, D-SIB; regulation on derivative position in foreign currency; macroprudential instability levies in foreign currency* [FSS/FSC]

[1] As disclosed by the central banks.

CB = central bank; D-SIB = domestic systemically important bank; FSA = Financial Services Authority; FSC = Financial Services Commission; FSS = Financial Supervisory Service; G-SIB = global systemically important bank; O-SII = other systemically important institution.

[...] shows the decision-making institution with regard to the instrument.

Source: Central bank replies to the questionnaire, comprising a succinct summary of replies to question 2.

List of instruments in macroprudential frameworks

Table 2 (cont)

	Malaysia	Mexico	Peru	Philippines	Poland	Russia
Countercyclical capital buffers	CB	CNBV	SBS		MoF / FSC	CB
Dynamic provisions	CB		SBS			CB
Sectoral capital requirements	CB		SBS	CB	MoF	CB
Countercyclical capital requirements	CB		SBS		MoF / FSC	CB
Margins and haircuts	CB		CB / SBS / T (1)	CB		CB
LTV ratios	CB	CNBV		CB	FSA	
Debt-to-income ratios	CB			CB	FSA	
Limits on currency mismatches	CB	CB (2)	SBS	CB	FSA	CB
Other instruments (3)	*Limit on loan tenure* [CB]	*Caps on interbank exposures* [CNBV]; *pension fund risk limits* [Consar]	*Reserve requirement differentiated by currency; additional reserve requirement contingent on credit dynamic in foreign currency; reserve requirement for short-term funding in foreign currency; additional reserve requirement for excessive operations with FX derivatives* [CB]	*Reserve requirement; D-SIB*	*Systemic risk buffer* [MoF/FSC]; *O-SII buffer* [FSA/FSC]	*Cap on effective lending rates; leverage ratio; limit on certain exposures (due to concentration risk, such as large exposures to a single lender and lenders' common exposure in the system); sectoral provisioning requirement, reserve requirement; liquidity buffer requirement, stable funding requirement* [CB]

[1] For repo operations with government bonds, CB jointly with SBS and T. [2] Foreign exchange positions: foreign currency liquidity requirements. [3] As disclosed by the central banks.

CB = central bank; CNBV = Comisión Nacional Bancaria y de Valores (Banking Supervisor); Consar = (in Spanish) National Retirement Savings Commission; FSA = Financial Supervision Authority; FSC = Financial Stability Committee; MoF = Ministry of Finance; O-SIB = other systemically important institution; SBS = Superintendencia de Banca, Seguros y AFP (Banking Supervisor); T = Treasury.

[...] shows the decision-making institution with regard to the instrument.

Source: Central bank replies to the questionnaire, comprising a succinct summary of replies to question 2.

List of instruments in macroprudential frameworks

Table 2 (cont)

	Saudi Arabia	South Africa	Thailand	Turkey	UAE
Countercyclical capital buffers	CB	CB	CB / MPC-FIPC forum (1)	BRSA	CB
Dynamic provisions	CB	CB	CB / MPC-FIPC forum		CB
Sectoral capital requirements	CB	CB	CB / MPC-FIPC forum		CB
Countercyclical capital requirements	CB	CB	CB / MPC-FIPC forum		CB
Margins and haircuts	CB	CB	CB / MPC-FIPC forum	CB / BRSA / CMB	CB
LTV ratios	CB	CB / NCR/ PA (2)	CB / MPC-FIPC forum	BRSA	CB
Debt-to-income ratios	CB	CB / NCR/ PA (2)	CB / MPC-FIPC forum	BRSA	CB
Limits on currency mismatches	CB	CB	CB / MPC-FIPC forum	BRSA	CB
Other instruments (3)			*Any other macro-prudential policies* [CB/Joint MPC-FIPC forum]	*Reserve requirements* [CB]	

[1] Through consultation and issuance of policy recommendations. [2] Through the FSOC, subject to the provisions of the Financial Sector Regulation (FSR) Bill. [3] As disclosed by the central banks.

BRSA = Banking Regulation and Supervision Agency; CB = central bank; CMB = Capital Markets Board; FIPC = Financial Institution Policy Committee; FSOC = Financial Stability Oversight Committee; MAS = Monetary Authority of Singapore; MPC = Monetary Policy Committee; NCR = National Credit Regulator; PA = prudential authority.

[...] shows the decision-making institution with regard to the instrument.

Source: Central bank replies to the questionnaire, comprising a succinct summary of replies to question 2.

Inter-agency arrangements in financial stability frameworks

Table 3

Country	Chair	Inter-agency forum	Central bank participation	What decisions can be taken?	Information-sharing arrangements
Argentina		There is no inter-agency body	Responsible for financial stability		
Brazil	Minister of Finance	National Monetary Council (CMN)	Permanent secretariat of the CMN. Four central bank deputy governors take a seat at the inter-agency forum	The CMN through its Technical Commission for Money and Credit sets the framework for policy implementation. Each agency – in particular, the central bank – takes decisions in its sphere of action	The central bank has signed 15 agreements with other agencies to exchange information and coordinate policy action
Chile	Minister of Finance	Financial Stability Council (CSF)	The central bank is a permanent advisor. The central bank governor is an invited member	It does not hold any formal decision-making powers. It may issue non-binding policy recommendations to the relevant supervisor on matters of financial stability	The exchange of information is one of its functions. It can request information for sharing among its members
China	Led by the People's Bank of China	Joint conference on financial regulation and coordination	It leads the conference	Coordination of financial regulation across markets. To implement financial stability policy	The central bank and other agencies are working on establishing a single statistical system under a unified standard of reporting
Colombia	Ministry of Finance	Coordination committee (under the acronym CCSSF)	The central bank governor is a member of the CCSSF. The CB chairs one of its subcommittees, and other officials participate in it or in other subcommittees	To share information about the financial institutions supervised by each agency is one of the main objectives of the body. It also promotes the technical enhancements in processes and standards, and their timely adoption	The exchange of information is carried out under a memorandum of understanding (MoU) between the central bank, the banking supervisor and the deposit insurer
Czech Republic		There is no inter-agency body	The central bank is solely responsible for financial stability		

Source: Based on central bank replies to the questionnaire.

Inter-agency arrangements in financial stability frameworks

Table 3 (cont)

Country	Chair	Inter-agency forum	Central bank participation	What decisions can be taken?	Information-sharing arrangements
Hong Kong	Secretary of Financial Services and the Treasury	Financial Stability Committee (FSC)	The HKMA chief executive is a member of the FSC	The inter-agency body has no decision-making powers. The HKMA chief executive retains the statutory decision-making power	The sharing of information takes place within the FSC and the Council of Financial Regulation (CFR). There is no exchange of information with institutions outside these committees
Hungary		There is no inter-agency body	Responsible for financial stability	The central bank holds all decision-making power on financial stability matters. It deals with financial stability by means of the Financial Stability Board	Not relevant
India	Minister of Finance	Financial Stability and Development Council (FSDC)	The central bank is a member of the FSDC and its governor chairs the domestic college of supervisors that exists within it	The body is entrusted with an ample mandate (financial stability, development and inclusion). There is a focus on the oversight of the activities of financial conglomerates	The exchange of information between different supervisory agencies is carried out on the basis of an MoU
Israel (1)	Central bank governor	No details provided	Half of the seats are reserved for central bank-appointed officials	The inter-agency body does not have any decision-making power on policy matters	
Indonesia	Ministry of Finance	Financial System Stability Committee	The central bank governor is a member	The FSSC has no powers on macroprudential tools. Crisis resolution and monitoring of the system	Regular meetings of the FSSC. MoU with other agencies for exchange of information
Korea					
Malaysia	Central bank governor	Financial Stability Executive Committee	The central bank governor holds the chair and the deputy governor is a member (but not the one in charge of banking supervision)	To issue macroprudential measures to sustain domestic financial stability	There is an exchange of information among the members

[1] Pending legislation. FSSC = Financial System Stability Committee.

Source: Based on central bank replies to the questionnaire.

Inter-agency arrangements in financial stability frameworks

Table 3 (cont)

Country	Chair	Inter-agency forum	Central bank participation	What decisions can be taken?	Information-sharing arrangements
Mexico	Ministry of Finance (Secretario de Hacienda)	Consejo de Estabilidad del Sistema Financiero	Central bank governor and two vice-governors are members of the inter-agency council. One central bank representative holds the position of secretary to the body	The inter-agency body cannot take any decision. It coordinates the policy efforts of different agencies – in particular, the assessment and analysis of financial stability risks. It can make policy recommendations	The central bank, the securities and investment supervisor and the central bank are authorised to fully exchange information
Peru		There is no inter-agency body. The banking supervisor is invited to the central bank board meeting quarterly			
Philippines	Central bank governor	Financial Stability Coordination Council	The central bank chairs the meeting. [Note: participation is voluntary and other government agencies are invited to join]	Proposes measures to identify, manage and mitigate the build-up of systemic risk	A memorandum of agreement is the means used to operationalise the exchange of information
Poland	Central bank governor (1)	Financial Stability Committee	Central bank governor holds a second vote in the event of a tie	Issues non-binding statements or recommendations based on the principle of "comply or explain"	The exchange of information takes place within a working group made up of representatives of each agency
Russia	First deputy prime minister	Financial Stability Committee	Central bank governor and four first deputy governors	Does not hold decision-making powers	The exchange of information takes place in the committee. No information on single institutions is exchanged within the committee
Saudi Arabia					

[1] Except for matter of crisis management.

Source: Based on central bank replies to the questionnaire.

Inter-agency arrangements in financial stability frameworks

Table 3 (cont)

Country	Chair	Inter-agency forum	Central bank participation	What decisions can be taken?	Information-sharing arrangements
South Africa	Central bank governor		The central bank governors, a deputy governor responsible for financial stability and three central bank-appointed members		
Thailand	Central bank governor	Joint Monetary Policy Committee–Financial Institutions Policy Committee	The central bank governor and two deputy governors are members of each committee. The committees have four and eight additional members, respectively	The central bank has a mandate to design and implement micro- and macroprudential policy. There is consultation with other agencies	There are bilateral MoUs for the exchange of information on non-financial institutions
Turkey	Minister in charge of Under secretariat of the Treasury	Financial Stability Committee	The central bank governor is a member of a five-member committee	The decision-making and use of policy tools rest with the institution which holds the statutory mandate. The FSC monitors systemic risks and can raise any concerns or objections with the supervisor	The purpose of the inter-agency body is to enhance information-sharing, coordination and cooperation between its constituent members

Source: Based on central bank replies to the questionnaire.

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