Financial Stability: Towards a Macroprudential Approach

Hong Kong SAR
5-6 July 2010

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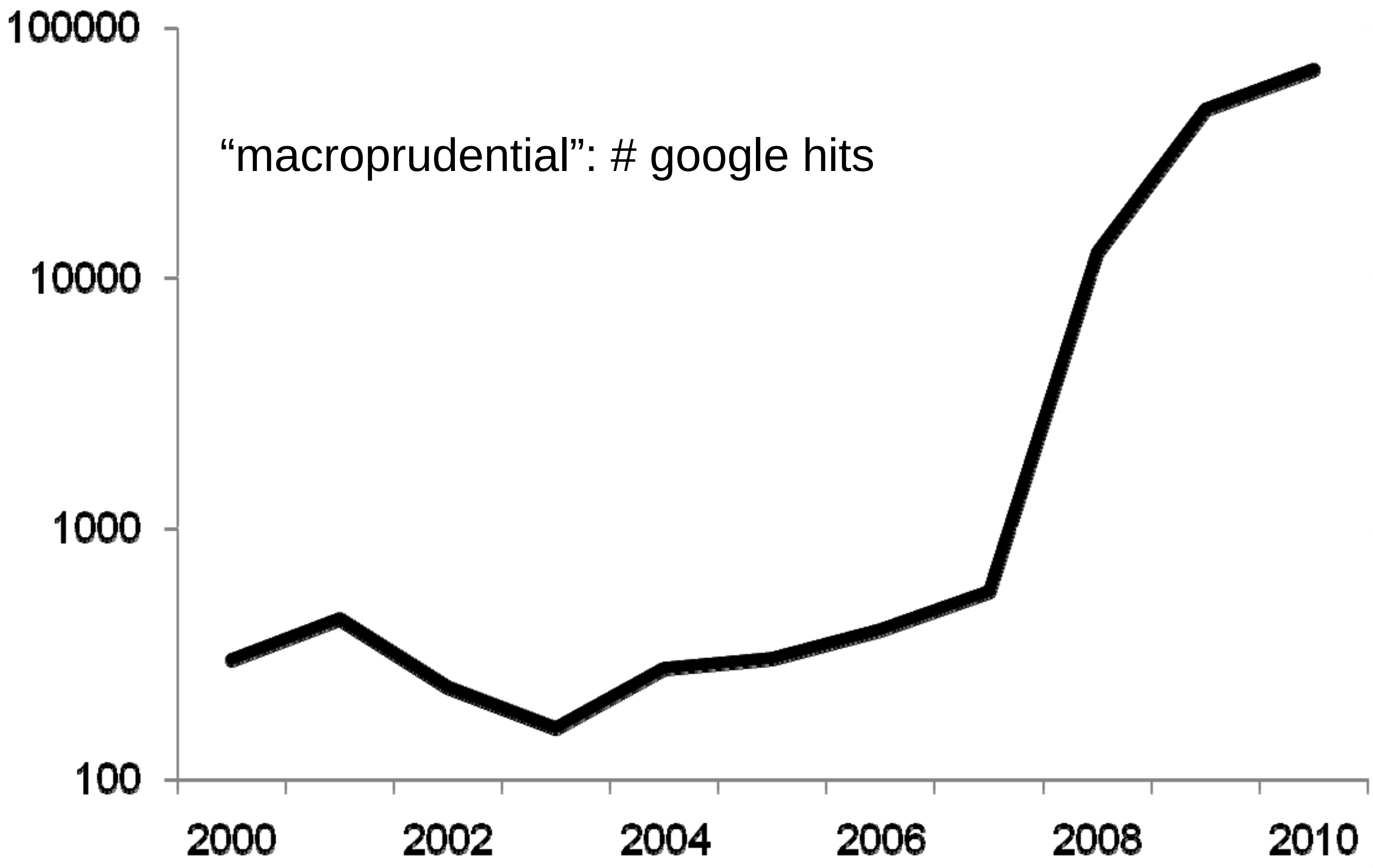
Macroprudential on the rise ...



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Outline

1. Macroprudential framework
2. Practical experiences
3. Macroprudential supervision

1 Macroprudential framework

Two aims:

- o Strengthen the financial system’s resilience
- o Leaning against the financial cycle

1 Macroprudential framework

	Strengthen resilience	Moderate the cycle
General approach	Recalibrate micro tools	Use macro tools dynamically
Key features	Micro or macro style	Tend to be macro
Frequency of adjustment	Not very frequent	More frequent, responsive

1 Macroprudential framework

Challenges:

- o Understanding transmission mechanism
- o Signal extraction
- o Rules versus discretion
- o Regulatory arbitrage & cross-border cooperation
- o Relationship with monetary policy

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2 Practical experience

- CGFS survey on instruments among central banks
- Possible tools: microprudential, tax-related, liquidity-related, lending restrictions
- February 2010: workshop on LTVs
- Forward looking provisioning

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3 Macroprudential supervision

Crucial:

- Translation analysis into action
- Firmly embedded in organisation
- Elements: (1) monitoring & analysis, (2) assessment, (3) mitigating action, (4) evaluation

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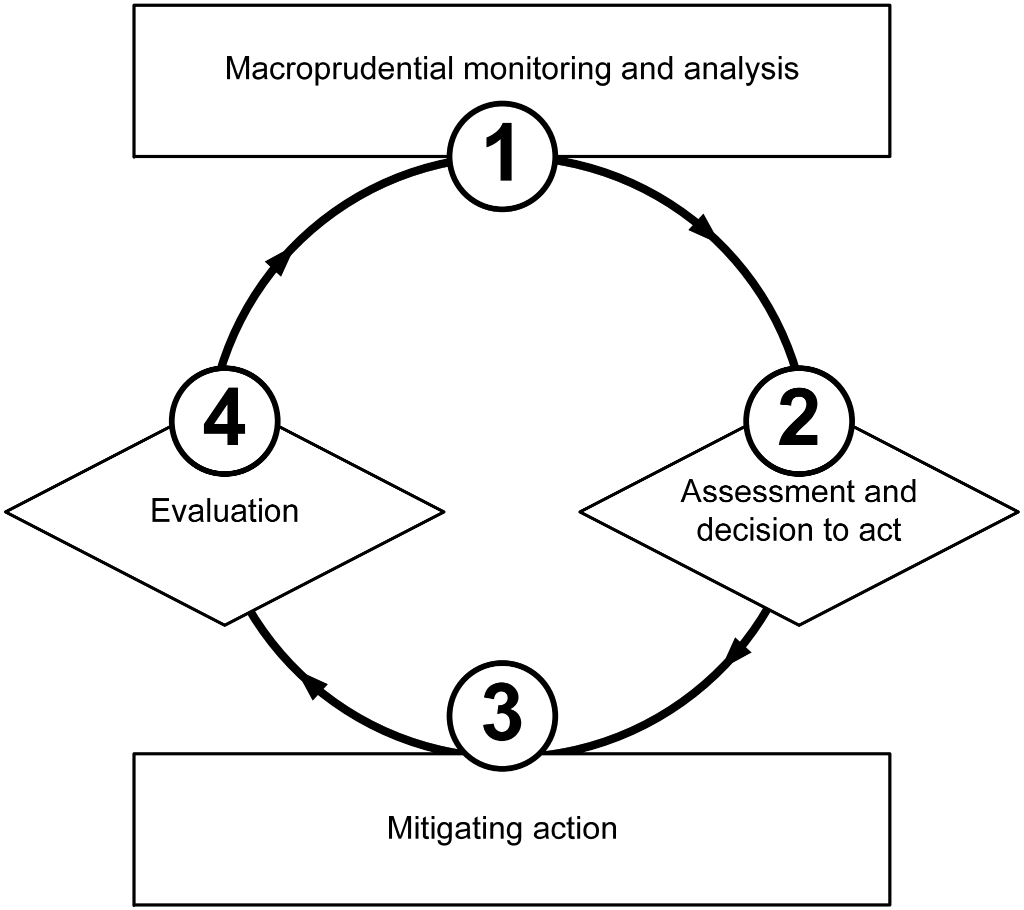
3 Macroprudential supervision



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