

## **Jean-Pierre Roth: Role of the central banks with respect to the financial market crisis**

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank and Chairman of the Board of Directors of the Bank for International Settlements, at the Forum Suisse de Politique internationale, Geneva, 23 May 2008.

*The complete speech can be found in French on the Swiss National Bank's website ([www.snb.ch](http://www.snb.ch)).*

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The central banks have been working extremely hard to respond appropriately to the turmoil that has beset the financial markets in recent months. Aimed at enhancing the resilience of the markets and safeguarding the stability of the financial system, the measures they have taken have been drastic and innovative at times.

As this episode has also shown, a policy of preserving financial stability is not always easy to reconcile with monetary policy. The central banks must therefore tread carefully and avoid compromising their price stability objectives when intervening to defend financial stability. While money market conditions deteriorated over the past nine months, the Swiss National Bank put off interest rate hikes so as not to provoke a tightening of credit conditions in Switzerland.

Effective action by banking supervisory authorities is key to ensuring long-term financial stability. However, the central banks also have a role to play in reinforcing the markets during times of need. Once the current crisis is over, strengthening banking regulations will be absolutely necessary as a means of compelling banks to adopt a more circumspect approach.