

Sharon Donnery: Financial markets and institutions - collaboration and knowledge dissemination

Welcome address by Ms Sharon Donnery, Deputy Governor (Central Banking) of the Central Bank of Ireland, at the Policy Research Meeting on Financial Markets and Institutions, Dublin, 15 June 2017.

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Good morning to you all and a very warm welcome to our new campus here at North Wall Quay in Dublin. Our official opening took place in late April, with staff on the ground since January, so you really have come here at a time of renewal and great excitement for us as an institution. I hope that you enjoy your time here.

We are delighted to be welcoming such an eminent group of speakers to the Bank today. I would particularly like to thank our colleagues from the Federal Reserve who first initiated this event, which has been running since 2012 with previous workshops having taken place in Turkey, Luxembourg, the Netherlands, Belgium, Rome and Stockholm, along with the proceedings in Helsinki earlier this week. Special thanks also to Wayne Passmore and Scott Frame who have provided the impetus, helped shape the program, and ensured the participation of such a distinguished group of speakers from across the Federal Reserve System.

Cross-institution collaboration and knowledge dissemination is of critical importance in central banking. The coming together of people with a rigorous background in empirical research, yet with such a keen focus on the ways in which research, data analytics, empirical evidence and policy decision making are interwoven is fundamental to the development of evidence based policymaking. This is entirely consistent with the type of working environment that we continually strive to develop here at the Central Bank of Ireland. I hope that we will all leave here tomorrow having learned a great deal.

I am impressed by the breadth of topics being discussed over the two days of this event. The discussions about the implementation and effects of unconventional monetary policy are taking place at a historic time for central banks. The differing paths faced by the United States and euro area economies over the past half-decade mean that we find ourselves at an extremely interesting juncture. A stock-take of the effectiveness of unconventional policy, the risks associated with tapering and the differing experiences in the American and European systems is highly important for the calibration and effectiveness of monetary policy on both sides of the Atlantic.

At the nexus between unconventional monetary easing and the legacy impairments of the previous crisis lies the issue of bank profitability, which will be the subject of a session that I will chair later this morning. Given my work on the issue of Non-Performing Loans across the euro area, I take a great interest in this topic and look forward to hearing the thoughts of our Spanish and Italian guests on the dynamics underlying bank profitability in their countries.¹

In the area of financial regulation, the changes experienced on both sides of the Atlantic since the crisis have been dramatic. The crisis response in all of our jurisdictions has involved a wide range of regulatory interventions, from enhanced stress-testing capabilities and communication strategies to the development of the macroprudential toolkit. The speed with which these features have been conceived and implemented is of course to be applauded and many of the people in this room have been important contributors to the rolling-out of this new central banking architecture. However, such rapid and large-scale responses often leave us vulnerable to “blind spots”, unintended consequences and implementation challenges. Discussions such as those that will take place over the next two days are an important part of our attempt to fine-tune and enhance our performance as macroprudential authorities and regulators.

The importance of the housing market as a driver of the credit cycle as well as the status of mortgages as the chief source of debt and financial vulnerability for most households has meant that in Ireland we have paid a particularly strong focus on macroprudential measures. In this context, we are delighted to have a number of focussed sessions on this topic. We underwent an extensive review of the first 18 months' experience with loan-to-value and loan-to-income restrictions in November last year. We are committed to reviewing the measures using a wide evidence base on an annual basis.² We hope to be able to both learn from you and inform you as we share experiences tomorrow. Apart from our own experience here in Ireland, the focussed sessions on housing finance and the interaction between government, lenders and the mortgage borrowers in the United States promises to be particularly illuminating.

Despite the timing on a Friday, I encourage you all to stay until tomorrow afternoon to hear the insights of our four guests from the United States on this topic.

¹ www.centralbank.ie/news-media/press-releases/non-performing-loans-workout-in-the-euro-area-deputy-governor-central-banking-sharon-donnery-at-bruegel

² See for example the [Central Bank's macroprudential mortgage measures](#)