Press release

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Ref: 26/2016

31 August 2016

IMF, FSB and BIS publish Elements of Effective Macroprudential Policies

The International Monetary Fund (IMF), Financial Stability Board (FSB) and Bank for International Settlements (BIS) released today a new publication on *Elements of Effective Macroprudential Policies*. The document, which responds to a G20 request, takes stock of the international experience since the financial crisis in developing and implementing macroprudential policies and will be presented to the G20 Leaders' Summit in Hangzhou.

Following the global financial crisis, many countries have introduced frameworks and tools aimed at limiting systemic risks that could otherwise disrupt the provision of financial services and damage the real economy. Such risks may build-up over time or arise from close linkages and the distribution of risk within the financial system.

Experience with macroprudential policy is growing, complemented by an increasing body of empirical research on the effectiveness of macroprudential tools. However, since the experience does not yet span a full financial cycle, the evidence remains tentative. "The wide range of institutional arrangements and policies being adopted across countries suggest that there is no 'one-size-fits-all'. Nonetheless, accumulated experience highlights – and this paper documents – a number of elements that have been found useful for macroprudential policy making," the publication says. These include:

- A clear mandate that forms the basis for assigning responsibility for taking macroprudential policy decisions.
- Adequate institutional foundations for macroprudential policy frameworks. Many of the observed designs give the main mandate to an influential body with a broad view of the entire financial system.
- Well-defined objectives and powers that can foster the ability and willingness to act.
- Transparency and accountability mechanisms to establish legitimacy and create commitment to take action.
- Measures to promote cooperation and information-sharing between domestic authorities.
- A comprehensive framework for analysing and monitoring systemic risk as well as efforts to close information gaps.

- A broad range of policy tools to address systemic risk over time and from across the financial system.
- The ability to calibrate policy responses to risks, including by considering the costs and benefits, addressing any leakages, and evaluating responses. In financially integrated economies, this includes assessing potential cross-border effects.

The document includes some data on the use of macroprudential tools; illustrative examples of institutional models for macroprudential policymaking; and a brief summary of some of the empirical literature on the effectiveness of macroprudential tools.

Notes to editors

The work of the IMF, FSB and BIS in this area responds to a G20 request in 2010 for the three organisations to report on progress achieved in this area. The three organisations produced a progress report on *Macroprudential Policy Tools and Frameworks* in 2011 which highlighted the need for further analysis on macroprudential tools.

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