

Financial Stability: towards a delivery framework

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Financial Stability: towards a delivery framework

- Introduction: today's results of unfettered leverage
- Present Emphasis on new/enhanced regulation
- Under emphasis on realities of delivery

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Process

- Process well developed for monetary policy
- Why not build on experience gained?
- Together with experience and observations from present crisis

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Examine two areas

- Management challenges in doing financial stability work: preconditions for success
- Creating a framework that commands respect that will work: delivery

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Management challenges: precondition for delivering financial stability

- Avoiding policy crowd out:
- Managing issues within Financial stability itself
- Seamless interaction between the three public policy areas

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Management challenges 1: Avoiding Policy crowd out

- Monetary policy 'wins' in good times
- Financial stability: unpopular when times are good
- Role of the central bank

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Management Challenges 2: within financial stability

- Managing two mindsets
- Steady state vs crisis handling

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Management challenges 3: handling the three policy functions

- Ministry of Finance/Treasury: guardian of taxpayer
- Central Bank: creator and operator of central bank money
- Supervisor: solvency etc of individual institutions

- Need for seamless effectiveness
- In good times and crisis
- Irrespective of architecture

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Creating the framework: delivery

- Delivery constraint: alliance of vested interests in good times
- Creation of independent process
 - Mandate
 - Accountability
 - Powers and responsibilities
- Develop the policy instruments
 - work in hand
- Role of Central Bank

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Conclusion

- What will future generations say?

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