

# CROSS BORDER COORDINATION OF MACROPRUDENTIAL POLICIES



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**Macroprudential Regulatory Policies**

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# agenda

**to unravel a vague notion**

**CROSS-BORDER COORDINATION**



**OF MACROPRUDENTIAL POLICIES**

**a. what to coordinate?**

**b. why to coordinate?**

**c. how to coordinate?**



# what is it?

## a two-dimensional issue

preventive macroprudential  
co-ordination

crisis containment /  
resolution

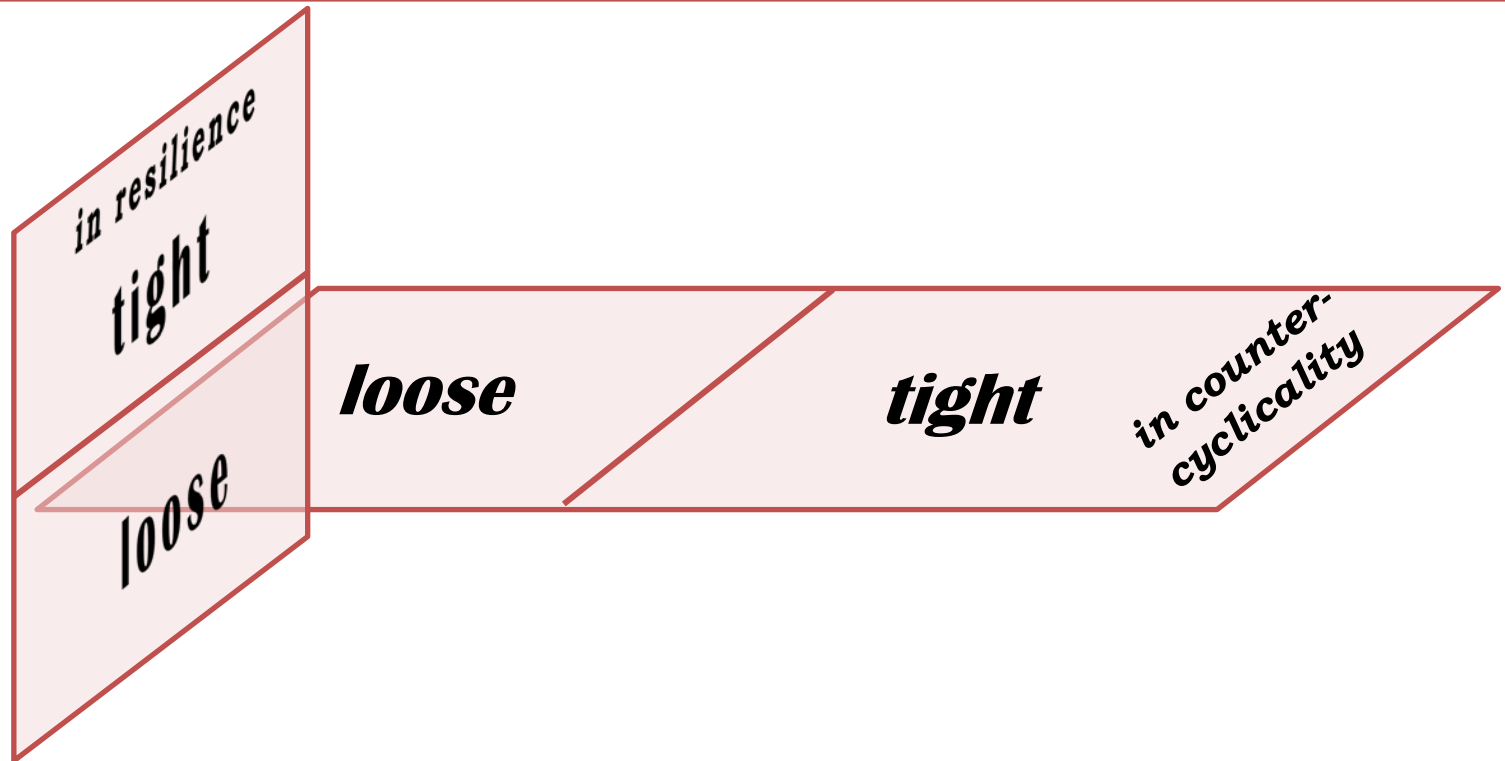


# what is it?

## the coordination of „stances”

macroprudential stance

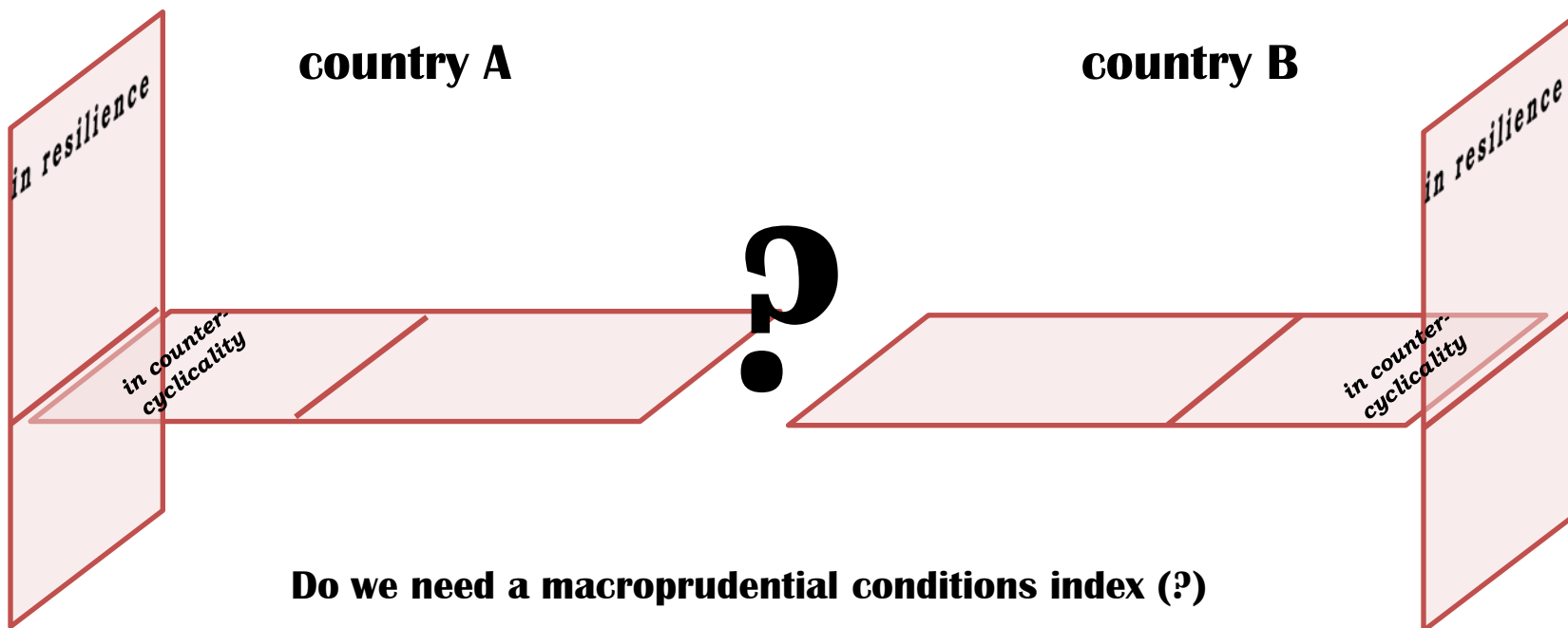
monetary policy stance



# what is it?

## the coordination of „stances”

macroprudential stance



# agenda

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**CROSS-BORDER COORDINATION**

**OF MACROPRUDENTIAL POLICIES**

**a. what to coordinate?**

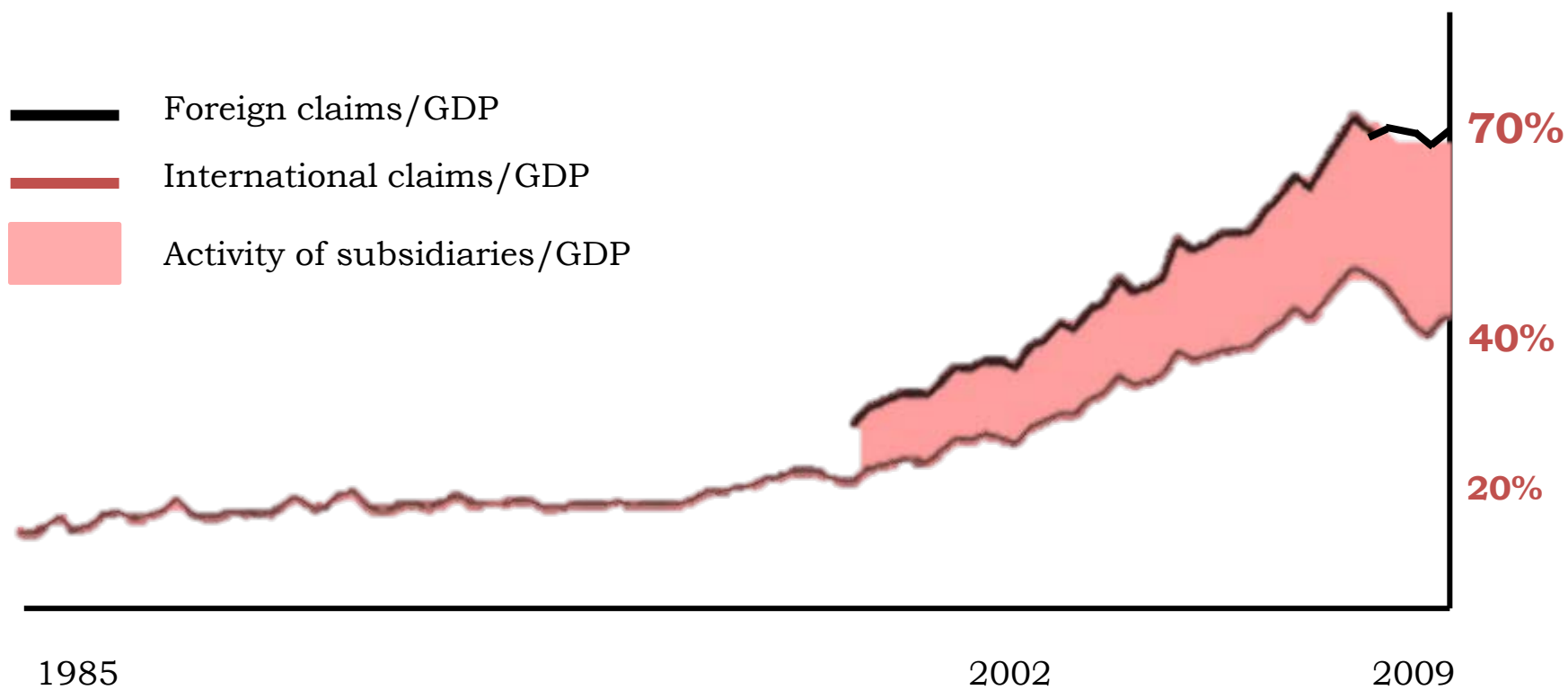
**b. why to coordinate?**

**c. how to coordinate?**

# why to do it?

## banking has become global

### Ratio of banks' international positions to global GDP

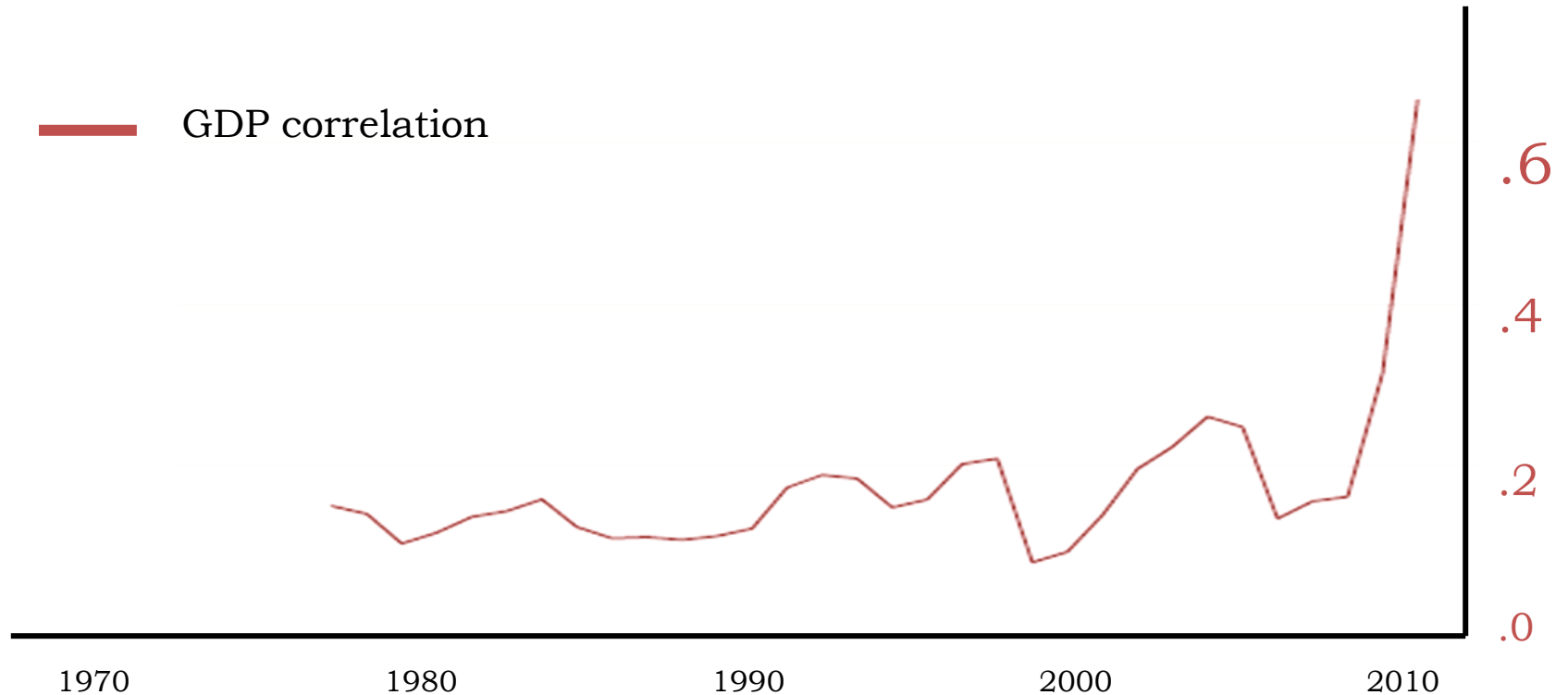


Source: CGFS papers No. 41.

# why to do it?

## exposure to contagion has increased

Average bilateral output correlations for 20 developed economies



Source: Kalemli-Ozcan, Papaioannou and Perri (2010)



# **why to do it?**

**regulatory arbitrage has increased**



# agenda

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**OF MACROPRUDENTIAL POLICIES**

**a. what to coordinate?**

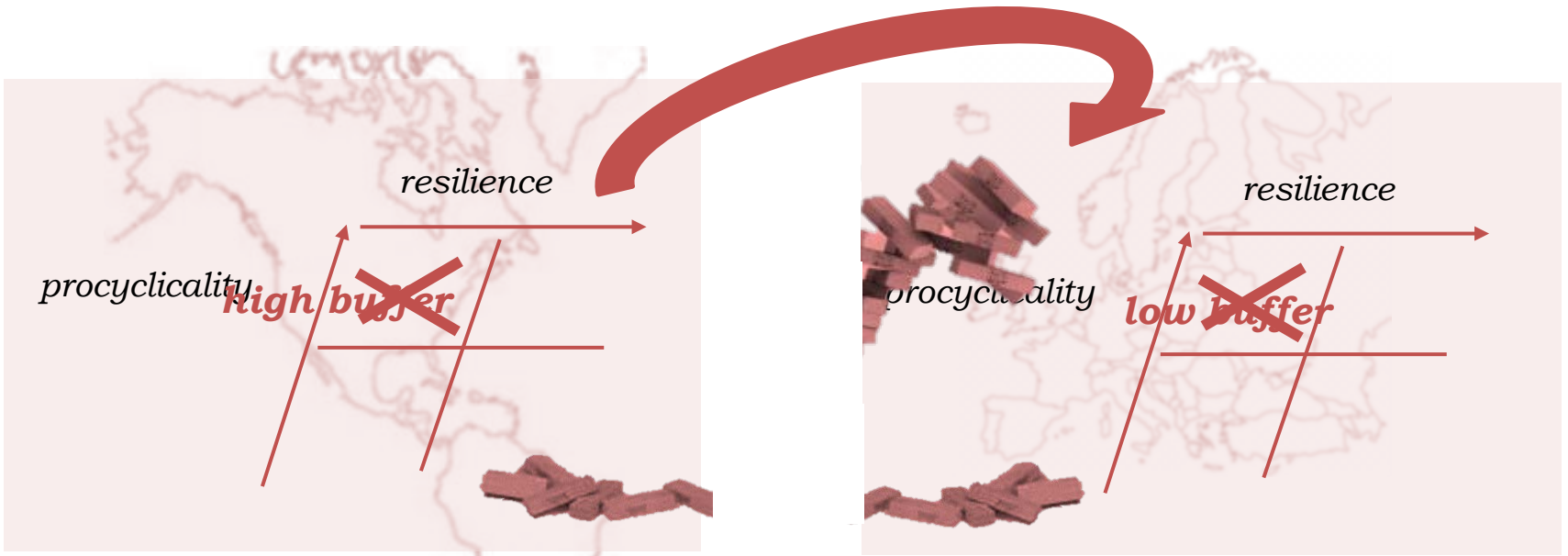
**b. why to coordinate?**

**c. how to coordinate?**

# how to do it?

„act globally”

## The case of US and Europe with the CDO-s



# how to do it?

**„act globally”**

**The case of US and Europe with the CDO-s**

**A countercyclical Basel 3. rule would have been enough?**



**Establish a global macroprudential element!**

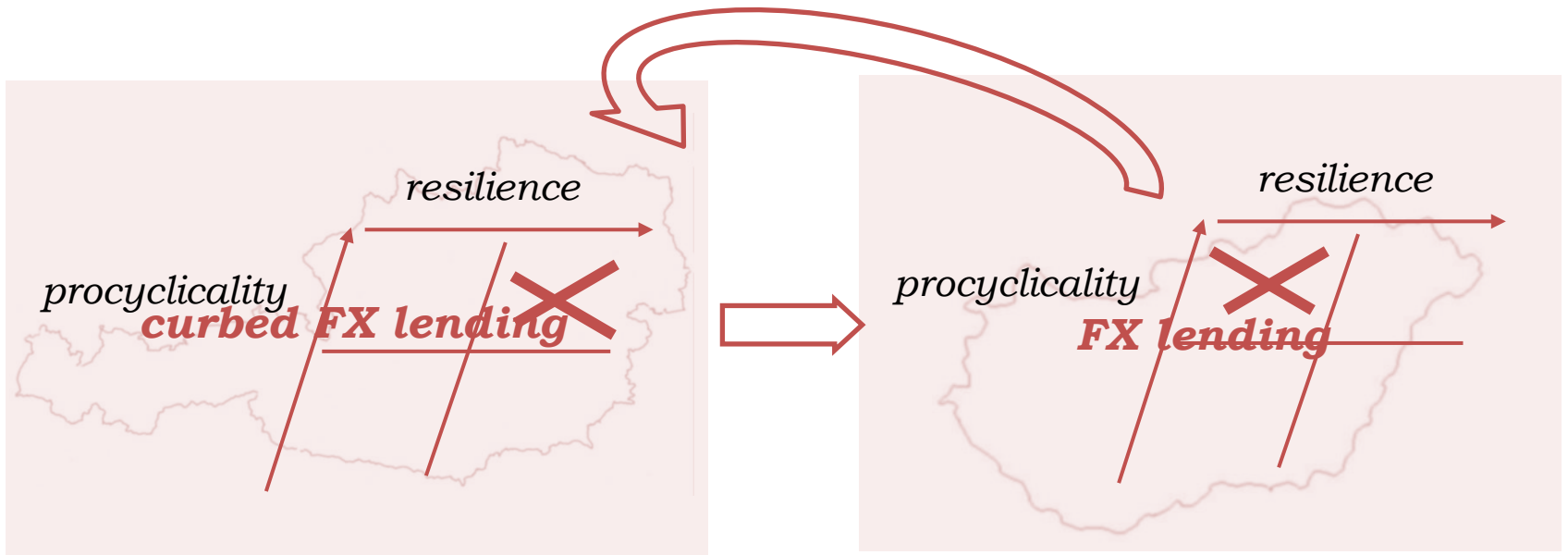
**„A GLOBAL BUFFER IS NEEDED”**



# how to do it?

„act locally”

## The case of Hungary and Austria with FX lending



Assymetric  
macroprudential  
stance

New toxic asset:  
FX household  
lending

2008 Financial  
crisis – hits the  
vulnerable country

Reverse contagion

# how to do it?

**„act locally”**

**The case of Hungary and Austria with FX lending**



**A global regulation on FX lending would have helped?**



**It is more complicated to globally coordinate cross-sectional macroprudential policies (lack of flexibility, diversified products – speed of innovation)**

**LOCAL COORDINATION IS THE SOLUTION**

# what ? why? how?

**OBSERVE - ANALYSE – COORDINATE - SOLVE**

**Think about the Raab case!**



# cross-border macroprudential coordination

to unravel a vague notion

## why to coordinate?

to establish a „level playing field”

to limit exposure to contagion/regulatory arbitrage

to avoid a build-up of global systemic risk/race to the bottom

## how to coordinate?

resilience can better be coordinated locally

fill the global macroprudential coordination gap!  
(Basel III. – capital buffer contingent on GLOBAL credit growth)

## what to coordinate?

cross sectional  
(systemic resilience)

time (countercyclical)