

# Comments on “Macro-prudential policies - rationale, taxonomy and relationships” by E. Nier

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The views expressed here are author's own, and do not necessarily reflect those of the Bank of Japan.

# Micro and Macro Perspectives for Prudential Policy

- Micro-prudential perspectives
  - Traditional view to systemic risk
  - Policy response from micro-prudential perspectives and their limits
- Macro-prudential perspectives
  - Robustness of financial system as a whole and SIFI
  - Financial stability and real economy
- Consumer (investor) protection?

# Two Dimensions of Systemic Risk

- Time dimension
  - Time variation of systemic risk (procyclicality)
    - Risk-taking behavior, market confidence, etc.
- Cross-sectional dimension
  - Point-in-time assessment of systemic risk
    - Concentration risk, similarity of portfolio, convergence of risk management methods, etc.
- Micro-systemic vs. macro-systemic risk?
  - aggregate risk and network risk

# Approaches to Systemic Risk with Macro-prudential Perspectives

- Macro-prudential perspectives as a general concept
  - How to use macro-prudential perspectives to formulate macro-prudential tools
- Monetary policy
  - Notable features of recent bubbles and debates on their backgrounds and policy response
  - Price stability and financial system stability
    - Short-term and long-term stability of prices
    - The “Two perspectives” in BOJ’s monetary policy

# Approaches to Systemic Risk with Macro-prudential Perspectives

- Proper financial supervision
  - On-site examination and off-site monitoring
  - Assessment of financial system as a whole
- Design of regulation and supervision
  - Introduction of capital buffer
  - Balance of regulation and supervision

# The Role of Bank of Japan in Macro-prudential Framework

- The relationship of BOJ with JFSA
  - No uniform institution for macro-prudential policy in Japan
  - Why is a central bank suitable for policies based on macro-prudential perspective?
- The role of BOJ in ensuring the stability of the financial system
  - Financial stability as a policy objective
  - On-site examination and off-site monitoring
  - Evaluation of financial system as a whole
  - The Lender of last resort

Thank you for kind attention!