

PRESENTATION OF THE FIRST CONFERENCE ON FINANCIAL STABILITY
AND OF THE PANEL *THE COUNTERCYCLICAL PROVISIONS OF
THE BANCO DE ESPAÑA, 2000-2016*

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The First Conference on Financial Stability, jointly organized by the Banco de España and the Centro de Estudios Monetarios y Financieros (CEMFI), was held at the Banco de España's headquarters in Madrid on 24-25 May 2017. The papers presented at the conference were selected by a scientific committee formed by Óscar Arce (Banco de España), Enrico Perotti (University of Amsterdam), José Luis Peydró (Universitat Pompeu Fabra), Rafael Repullo (CEMFI), Hélène Rey (London Business School), Tano Santos (Columbia Business School), Jesús Saurina (Banco de España), and Javier Suárez (CEMFI).

The macroprudential policy toolkit has significantly expanded over the last years and the new macroprudential set of powers has been introduced within a few years which leaves a number of important questions still to be answered. Among them there are: the effectiveness of the new instruments in improving the resilience of the financial system and reducing systemic risks, the trade-offs between different policy options, how macroprudential policies can influence risk-taking attitudes by different agents, or to what extent the provision of credit to the real economy can be affected, especially in difficult periods. After a thorough analysis, it might well be the case that the current macroprudential toolkit is still insufficient or incomplete. In the context of the European Union's macroprudential framework, which is currently under review, different possibilities are being contemplated to fine-tune the applicable legislation, including the option of introducing additional instruments, if deemed necessary. The program of the Conference was designed to deal with some of these questions taking into account that macroprudential policy cannot be fully understood without assessing how monetary, microprudential, and even fiscal policies (and their interaction) can affect financial stability.

The Conference was opened by Governor Luis M. Linde and the keynote speech on "The interaction between monetary policy and financial stability in the euro area" was given by the ECB President Mario Draghi. The Conference was structured around six sessions in which 12 papers were presented and discussed. In addition, there was a panel discussion on the countercyclical provisions of the Banco de España. The Conference brought together distinguished speakers and discussants from central banks, international financial institutions and academia.¹

The panel discussion, chaired by Javier Suárez, was based on the monograph by Jesús Saurina and Carlos Trucharte entitled *The Countercyclical Provisions of the Banco de España, 2000-2016*. Quoting Governor Linde on his welcome address to the Conference: "The case of Spain merits attention for several reasons. Spain was among the European countries experiencing the most pronounced imbalances over the first years of this century, followed by a severe crisis. At the same time, the Banco de España was a pioneer in developing macroprudential tools, by introducing countercyclical provisions as early as in 2000. Research carried out at the Banco de España shows that these provisions, although not able to counter the strong credit growth in the boom years, proved effective in smoothing the credit contraction during the first years of the credit downturn and recession. I do believe that the Spanish provisions were a source of inspiration for the countercyclical capital buffer (CCyB), an

¹ See the full programme at http://www.bde.es/bde/es/secciones/sobreeelbanco/Conferencias/First_Conferenc_e673f38cc179851.html.

instrument developed and agreed by the Basel Committee on Banking Supervision in 2010 and widely implemented by now around the world. Dynamic provisions, as they were named, can also be considered, with some nuances along the way, the precursor of expected-loss provisions in the International Financial Reporting Standards (IFRS 9). Importantly, the recent introduction of expected-loss provisions has entailed a change of accounting paradigm, which, I must say, was long overdue from a banking supervisory perspective”.

This issue of the *Financial Stability Journal* publishes summaries of the contributions to the panel² by the authors of the monograph and the discussants Pedro Duarte Neves (Banco de Portugal) and Richard Herring (Wharton School). We are very grateful to them for their participation in the Conference and their contribution to the *Financial Stability Journal*.

² The articles are based on a revised version of the transcription of the presentations, so they do not literally coincide with those at the Conference nor they reflect the full richness or subtleties of the speakers' words.