

**Opening remarks del Gobernador en la Conferencia:  
*Central Bank (R)evolutions***

Banco de España, 17.06.2013, 9:15h

Ladies and Gentlemen,

It is for me a real pleasure to welcome you to the Banco de España and to this Conference on Central Banking.

Let me give an especial welcome to Augusto de la Torre and his team from the World Bank, as co-organizers of the Conference. This is the fifth year we cooperate with them in pulling together an event, alternating policy oriented conferences and research seminars every other year. This has turned out to be a very fruitful joint venture.

As the title of the Conference suggests, over the past six years the global financial crisis and its aftermath of financial repair and economic adjustment have implied deep transformations for central banks and the framework of implementation of monetary policy; but the new steady state is not yet clearly defined.

The changes are taking place at different levels, at the same time, and the challenges for central banks are huge:

-First, confronted to the need to fight a deep recession, major central banks have engaged unconventional policies. Given the rather weak nature of the projected recovery, at least among

advanced economies, it is likely that the period of low interest rates and expanded central bank balance sheets will end up lasting more than a decade. The exit of this extraordinary situation is certainly going to be complex and challenging. And it will take time to draw the full implications for the future of monetary policy frameworks.

In the particular case of the euro area, the transmission mechanism of monetary policy has been damaged in the context of the sovereign crisis, causing the fragmentation of the euro area financial system. At Eurosystem we are focusing our efforts in repairing it. Part of this process entails institutional changes to reinforce the pillars of the monetary union and, in particular, the building of a Banking Union with its three components, supervision, resolution and deposit insurance.

-A second challenge for central banks derives from the need to give due attention to financial stability. One of the well established lessons from the crisis is that the neglect of financial stability considerations was one of the factors behind it. Now there is the question of how to fit the macroprudential block into the central banks' frameworks and within the policy institutions engaged in this area. And there is also the issue of how to manage the macroprudential instruments along with monetary policy instruments to achieve both price stability and financial stability.

-Another set of challenges concerns the prudential supervision and regulation side of central banks. The impact of the crisis on the banking system has been, overall, profound. In many countries, a restructuring of the sector has been implemented. In the case of Spain, as recently recognized by the European authorities and the

IMF, this restructuring process is well on track. Regulatory reforms at the domestic (European) and global level is another factor requiring adaptation by the central banks.

Obviously, a final and encompassing challenge is to address all of the above in a consistent way, amid a difficult economic and financial situation.

I will not spend much of your time underlining the importance of meetings such as the one you are holding today, with outstanding policymakers and academics discussing the challenges I have just mentioned.

I wish you a very fruitful meeting and a very pleasant stay in Madrid.

Thank you.