

Closing Remarks for the 12th edition of the Regional Seminar on Financial Stability

**Alejandro Hajdenberg
Resident Representative in Romania and Bulgaria
International Monetary Fund**

Sinaia, Romania, November 16, 2018

Deputy governor Voinea, distinguished guests, ladies and gentlemen,

It is an honor to give these closing remarks at the annual regional seminar on financial stability.

I would like to congratulate the NBR for once again having put together a highly successful seminar. We have had two days of high quality discussions on some of the most pressing issues associated to maintaining financial stability. We have benefited from the insights of a distinguished set of speakers and participants, with a diverse representation across nationalities and institutions. On top of that, I would say most memorably, thanks to the NBR's hospitality (and some exogenous shocks), we will always remember that we shared views on macroprudential policies one midnight in Dracula's castle.

As I have said in the past, but I think it's worth repeating today, this seminar is an established tradition in the region. It is an important forum to update participants on recent trends and developments in the field of financial stability and provides an opportunity for sharing country-level experience. For us at the IMF, it is also an invaluable opportunity to learn from practitioners in member countries in the region, with a view to disseminating what we learn to other parts of the world which could be facing similar challenges.

This year's seminar encompassed a broad and diverse agenda. The NBR had done an excellent job in focusing on topics that are important for Romania as well as for the countries in the region. Most of these issues are also the focus of much debate at central banks around the world.

Just as an overview, but without summarizing the conclusions in each of these, let me remind you of the areas we've covered:

We kicked off with the introductory words from DG Voinea and the IMF's ED Delannoy and then we had the honor of hearing from Andrea Enria, chairperson of the EBA and forthcoming head of the ECB's Single Supervisory Board, about the latest EBA's stress test exercise.

We then moved on to the following issues:

- Lessons in designing and calibrating macroprudential policy
- Tradeoffs between financial stability and monetary policy
- Experiences with macroprudential policy and coordination with other policies
- Tradeoffs between macroprudential policies and the real economy
- And we concluded, with a session that I always find very stimulating, where the young economist of the NBR presented their research.

In trying to find a unifying theme across all the debates we've had, one issue that came up consistently, is that financial stability and macroprudential policy cannot be considered in isolation. When thinking about financial stability, other aspects of public policy, namely fiscal and monetary policy cannot be ignored.

Another theme that featured prominently during the discussions is the need to carefully assess tradeoffs and take into account constraints to policy implementation. Three important tradeoffs that surfaced are: between stability and economic growth; between prudence and financial inclusion; and between short and longer-term considerations. Key constraints on the deployment of macroprudential policies are imposed by political economy considerations and the large degree of uncertainty that is inevitably associated to assessing prevailing conditions as well as predicting the impact of policies.

One final issue that strikes as particularly important is that of communication. Even the right policies may not succeed if they are not clearly explained and communicated to the public.

A second broad conclusion, is that a lot of progress has been done (especially in the 10 years after the Global Financial Crisis, as is the title of this gathering) in the deployment of macroprudential tools and analyzing these policies. But, not surprisingly, much more work needs to be done to enhance our understanding of the challenges to financial stability and what are the right policies to address them. What is encouraging, is that seminars like this, bringing together practitioners, international organizations and academicians, show that a lot of good work is indeed being done.

And now to conclude: the IMF has supported the National Bank of Romania in organizing this seminar for the 12 years it's been in place. We look forward to our continuous collaboration in years to come.