

RIDGE / BANCO CENTRAL DEL URUGUAY

# WORKSHOP ON FINANCIAL STABILITY

2019 RIDGE DECEMBER FORUM

Montevideo, Uruguay / December 11-12, 2019

Conference venue: Banco Central del Uruguay, located at Diagonal Fabini 777, Montevideo

## Scientific Committee

Xavier Freixas (Universitat Pompeu Fabra)  
Donato Masciandaro (Università Bocconi)  
Jorge Ponce (Banco Central del Uruguay)  
Rafael Repullo (CEMFI)  
Jean-Charles Rochet (Université de Genève and Swiss Finance Institute)

## Keynote Speakers

Gastón Gelos (International Monetary Fund)  
Dimitrios Tsomocos (University of Oxford, Saïd Business School)

**The Financial Stability and Development (FSD) Network of the IDB is  
co-organizer of the policy panel**

# WORKSHOP PROGRAM

DECEMBER, Wednesday 11<sup>th</sup>

9:45 Registration

## Session 1 – Risk and Financial Fragility

10:00 – 11:30 Chair: **Alejandro Pena**, Banco Central del Uruguay

- **Sovereign Risk and Bank Fragility**

**Kartik Anand**, Deutsche Bundesbank (co-author: Jochen Mankart)

- **Risk to Control Risk**

**Fernando Mendo**, Banco Central de Chile

11:30 – 12:00 Coffee Break

## Keynote Speaker

12:00 – 13:00 Chair: **Jorge Ponce**, Banco Central del Uruguay

**Leaning Against the Wind: an Empirical Cost-Benefit Analysis**

**Gastón Gelos**, International Monetary Fund

13:00 – 14:30 Lunch

## Session 2 – Macro and Financial Fragility

14:30 – 16:00 Chair: **Leonardo Vicente**, Banco Central del Uruguay

- **The Zero Lower Bound and Financial Stability: A Role for Central Banks**

**Dimitrios Tsomocos**, University of Oxford, Saïd Business School (co-author: Tatjana Schulze)

- **Housing Finance, Boom-Bust Episodes, and Macroeconomic Fragility**

**Carlos Garriga**, Federal Reserve Bank of St. Louis (co-author: Aaron Hedlund)

16:00 – 16:30 Coffee Break

## Policy Panel

**16:30 – 18:00**

Chair: **Victoria Nuguer**, Inter-American Development Bank

## **Integrated Policy Frameworks for Financial and Price Stability**

(Co-organized with the Financial Stability and Development Network of the IADB)

Problems in financial systems not only disrupt financial intermediation, but they can also undermine the effectiveness of monetary policy, exacerbate economic downturns, trigger capital flight and exchange rate pressures, and create large fiscal costs related to rescuing troubled financial institutions. Also, relatively long periods of accommodative monetary policy could settle the basis for future financial trouble. In addition to that, financial troubles could be triggered by changes in monetary policy conditions. Moreover, with increasing connectivity among financial institutions and with tighter financial and trade linkages between countries, monetary and financial shocks in one jurisdiction can quickly spill across financial sectors and national borders. Therefore, resilient institutional frameworks for monetary policy and financial stability are deemed necessary. The objective of this policy table is to bring insights about these issues in general and, in particular, about the pros and cons of designing integrated frameworks for price and financial stability.

Participants:

- **Eduardo Borensztein**, Borensztein Consulting
- **Pamela Cardozo**, Banco de la República, Colombia
- **Markus Kirchner**, Banco Central de Chile
- **Alexandre Tombini**, Bank for International Settlements

**DECEMBER, Thursday 12<sup>th</sup>**

### **Session 3 – Bank Regulation and Resolution**

**10:00 – 11:30**

Chair: **Daniel Dominioni**, Corporación de Protección del Ahorro Bancario

#### • **Capital and Liquidity Interaction in Banking**

**Jonathan Smith**, Bank of England (co-authors: Arnould Guillaume, Kristoffer Milonas, Quynh-Anh Vo)

#### • **Trade-offs in Bank Resolution**

**Deniz Igan**, International Monetary Fund (co-authors: Giovanni Dell'Ariccia, Maria Soledad Martinez Peria, Damiano Sandri)

**11:30 – 12:00**

Coffee Break

## Keynote Speaker

**12:00 – 13:00**

Chair: **Rodrigo Lluberas**, Banco Central del Uruguay

### **A Dynamic Model for Macroprudential and Monetary Policy Analysis**

**Dimitrios Tsomocos**, University of Oxford, Saïd Business School

**13:00 – 14:30**

Lunch

## Session 4 – Asset Markets

**14:30 – 16:00**

Chair: **Fernando Zimet**, Banco Central del Uruguay

### **• Search for Yield in Large International Corporate Bonds: Investor Behavior and Firm Responses**

**Mauricio Larrain**, Catholic University of Chile (co-authors: Charles Calomiris, Tomas Williams, Sergio Schmukler)

### **• Fire Sales in Frozen Markets**

**Ehsan Ebrahimi**, International Monetary Fund

**16:00 – 16:30**

Coffee Break

## Session 5 – Transmission Mechanisms

**16:30 – 18:00**

Chair: **José Antonio Licandro**, Banco Central del Uruguay

### **• The Transmission Mechanisms of Macroprudential Policies on Bank Risk**

**Regis A. Ely**, Federal University of Pelotas (co-authors: Benjamin M. Tabak, Anderson M. Teixeira)

### **• The Transmission of Shocks in Endogenous Financial Networks: A Structural Approach**

**Jonas Heipertz**, Paris School of Economics (co-authors: Romain Ranciere, Amine Ouazad)

## Keynote Speakers



**Gastón Gelos** is Assistant Director and Chief of the Monetary and Macroprudential Policies Division in the Monetary and Capital Markets Department. Previously, he headed the Global Financial Stability Analysis Division, where he was responsible for the analytical chapters of the Global Financial Stability Report. Prior to that, he has held positions as an Advisor at the IMF Institute, as a Deputy Division Chief in the Western Hemisphere Department, and as the Fund's Resident Representative to Argentina and Uruguay. He also worked as an economist in the European, Research, and Western Hemisphere Departments. His research covers a range of topics, including monetary and banking issues in emerging markets, financial stability, the behavior of international investors, and financial contagion and crises. He has published widely in academic journals, including in the *Journal of Finance*, the *Journal of International Economics*, and the *Review of Economics and Statistics*. Mr. Gelos holds a Ph.D. from Yale (1998) and a *Diplom* from Bonn University (1994); he took graduate courses at UC Berkeley (1991-92). He has worked at the IMF since 1998.



**Dimitrios Tsomocos** is a Professor of Financial Economics at Saïd Business School and a Fellow in Management at St Edmund Hall, University of Oxford. He holds a BA, MA, MPhil, and PhD from Yale University. He has worked at the Bank of England and consulted with various Central Banks. In addition, he has served on several editorial boards including *Annals of Finance and Economic Theory*. He is the co-developer of the Goodhart – Tsomocos model of financial fragility that has been implemented at various Central Banks. He has also suggested a new metric of Financial Stability. Dimitrios Tsomocos' current research focuses on banking and regulation, incomplete asset markets, systemic risk, financial instability and issues of new financial architecture. In particular, he has analysed issues of contagion, financial fragility, interbank linkages and the impact of the Basel Accord in the macroeconomy using a General Equilibrium model with incomplete asset markets, money and endogenous default.

## Policy Panel

### Integrated Policy Frameworks for Financial and Price Stability



**Eduardo Borensztein** had an extensive career as senior staff of the International Monetary Fund (Research and Asian Departments) and the Inter-American Development Bank (Research and Southern Cone Departments). He is currently a consultant with the Independent Evaluation Office of the IMF. He has expertise in sovereign debt, exchange rates, international finance, and macroeconomic policy with applied experience in many countries, including Latin America, China, Korea and Central Europe. He holds a PhD in Economics from MIT and an undergraduate degree from Universidad de Buenos Aires.



**Pamela Cardozo** holds a PhD in Economics from Queen's University, Kingston-Canadá. She has a degree in Industrial Engineering from the University of Los Andes, Bogotá-Colombia. She is Chief Officer for Monetary and International Investments at Banco de la República since October 2010. She manages the departments of Financial Stability, Oversight of Financial Infrastructures, Operations and Market Analysis and International Investments.



**Markus Kirchner** is currently Head of Financial Research at the Financial Policy Division of the Central Bank of Chile. Previously, he held positions as Head of Economic Modelling, Head of Models and Forecasts and Senior Economist at the Monetary Policy Division of the same institution. He joined the Bank in 2011. He holds a PhD in Economics from the University of Amsterdam. He has lectured at the Pontifical Catholic University of Chile and the University of Amsterdam, among others, and he has worked as visiting researcher at the German Federal Bank and the European Central Bank. His research interests include dynamic macroeconomics, international finance, macro-financial linkages, and monetary and macroprudential policy, with a focus on small open economies and emerging markets. He has published several working and discussion papers, book chapters and articles in scientific journals including the *Journal of Monetary Economics* and the *International Journal of Central Banking*.



**Alexandre Tombini** became Chief Representative of the BIS Office for the Americas on 1 September 2019. Before joining the BIS, he was Executive Director of the Board at the International Monetary Fund for Brazil, Cabo Verde, the Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste and Trinidad and Tobago. Previously, he was with the Central Bank of Brazil, where he served as Governor and also in the roles of Deputy Governor for Financial System Regulation and Deputy Governor for Economic Research. He also held positions as a Board member of the BIS and Chairman of the Standing Committee on Budget Resources of the Financial Stability Board. Mr Tombini holds a PhD in economics from the University of Illinois at Urbana-Champaign.