



MPP beyond banks

20 years of Macroprudential
Policy in Europe – Looking
back and looking ahead

S V E R I G E S R I K S B A N K



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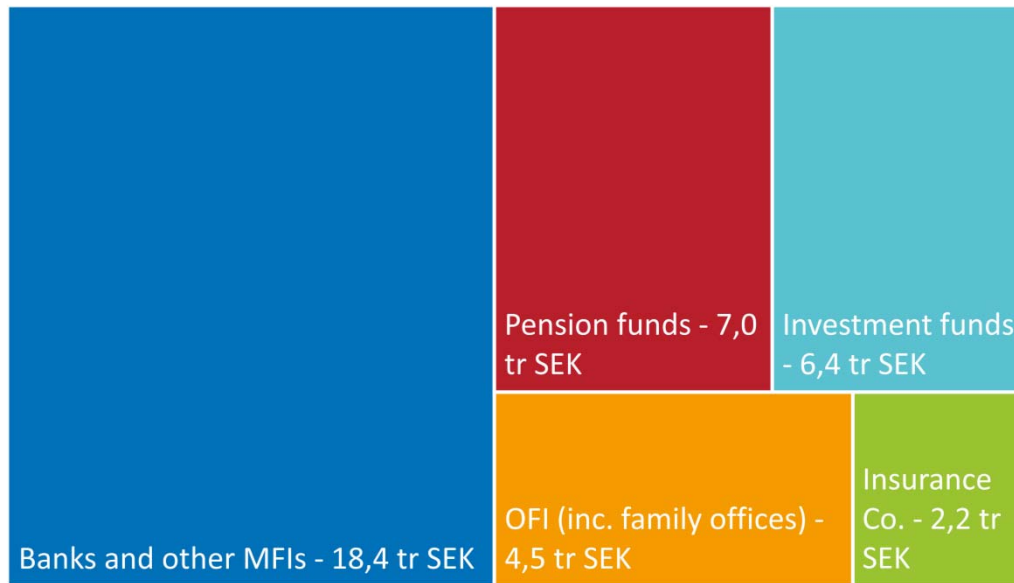
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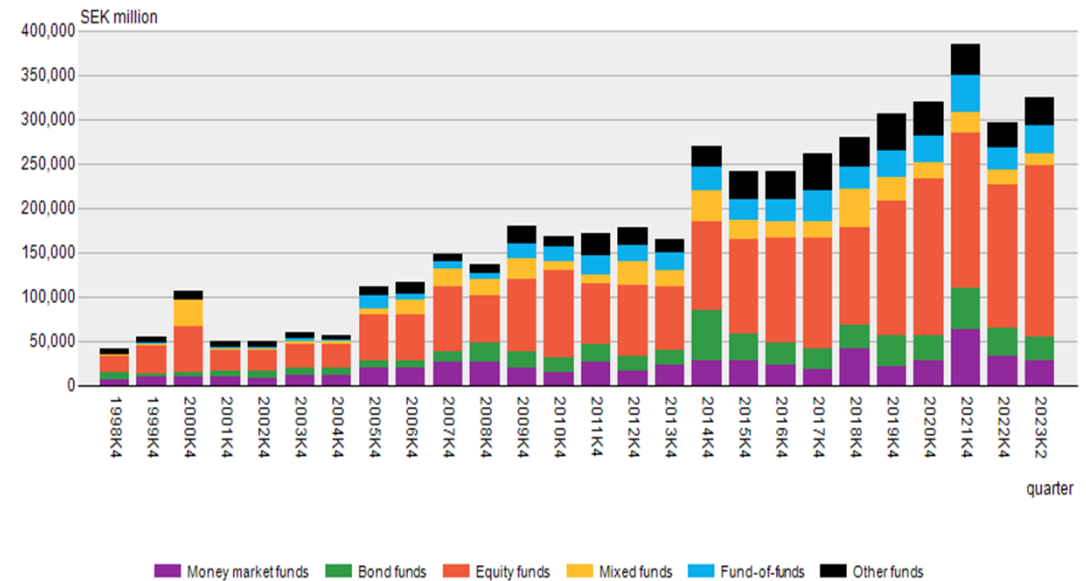
Why should we think about MPP beyond banks? (I)



Total assets in the Swedish financial sector (2023Q1)



Ownership of investment fund, SEK million by type of fund and quarter. gross savings in funds, sales, all sectors.



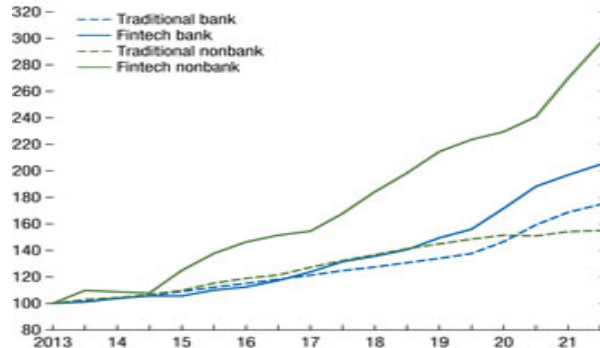
Source: Swedish Financial Supervisory Authority

Why should we think about MPP beyond banks? (II)

And NBFIs are not the only one growing in importance (IMF, 2022)

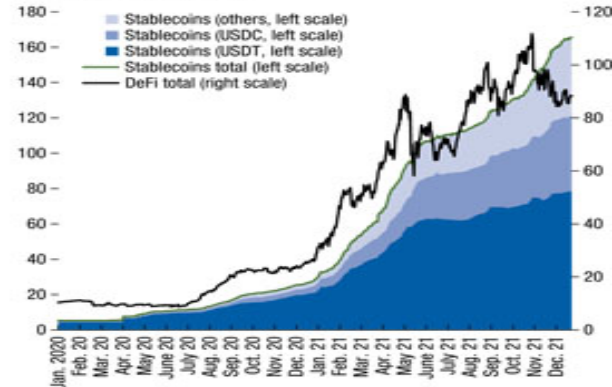
The growth of fintechs has accelerated in recent years ...

1. Growth of Assets of Fintech Lenders
(2013:H1=100)



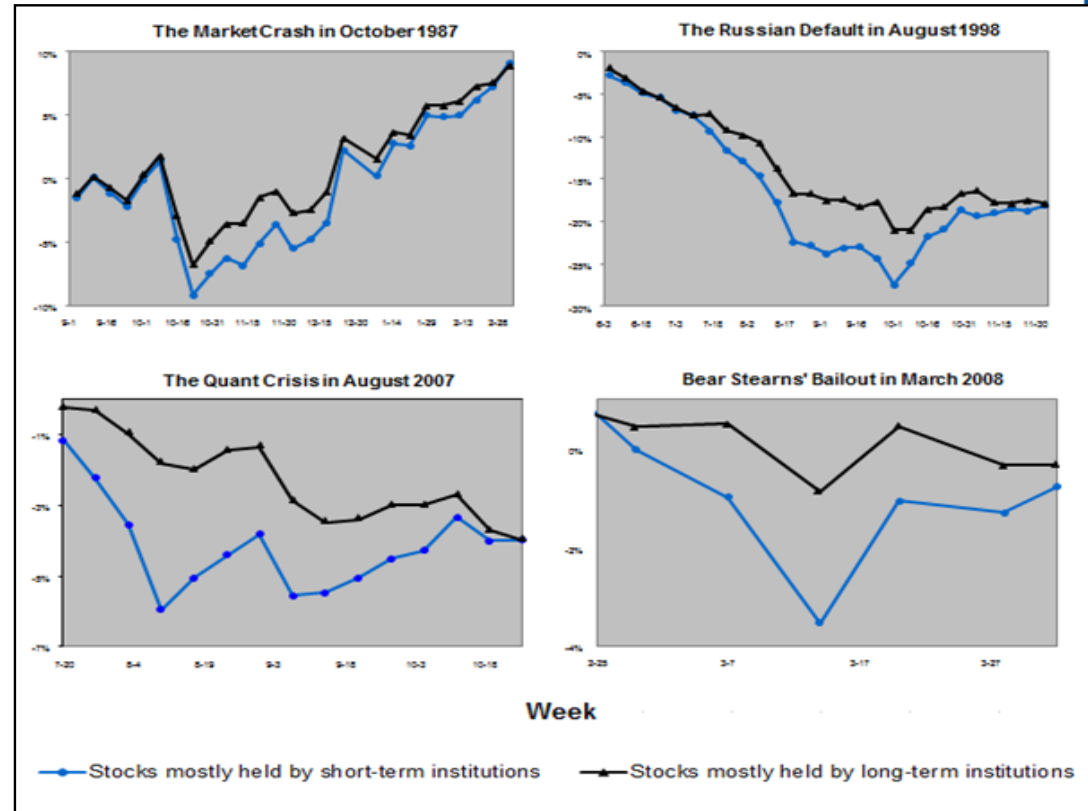
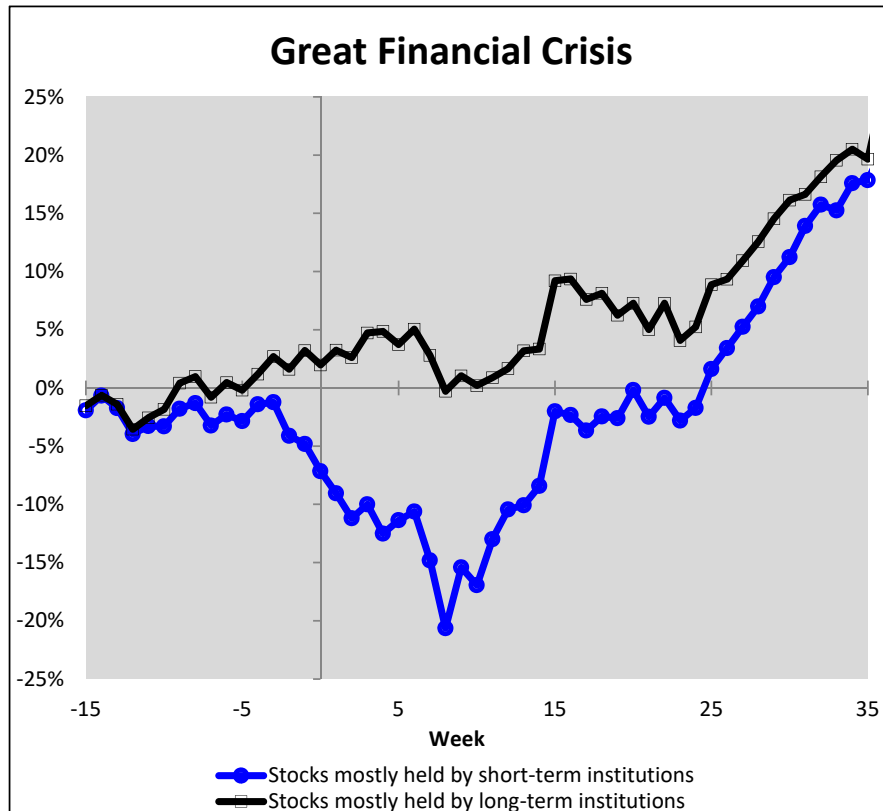
... as has the rise of assets in decentralized finance, driving growth in stablecoins.

2. Total Nominal Value of Assets in Decentralized Finance and Stablecoins
(Billions of US dollars)



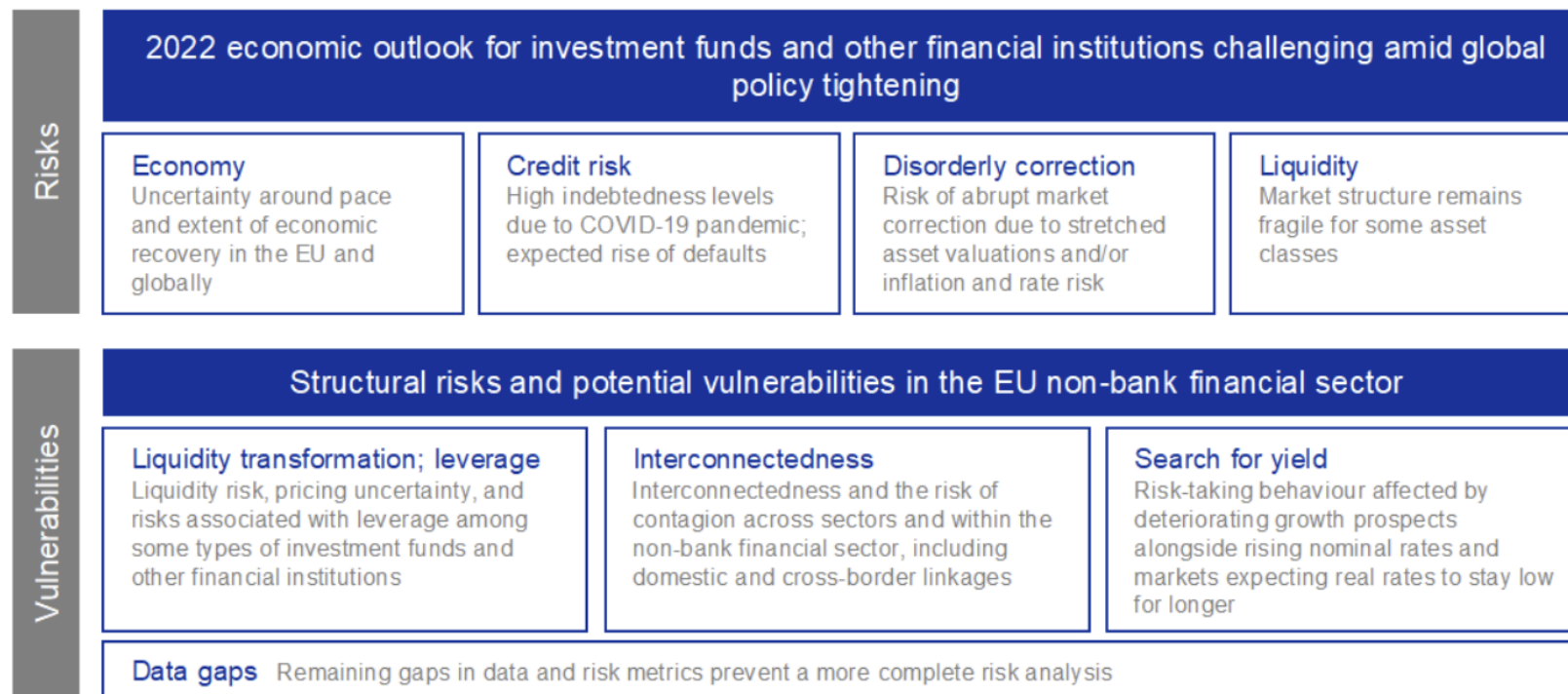
Different funds react differently to market shocks

Cella et al. (2013)



- During market turmoil, the selling pressure experienced by different stocks may vary depending on the length of their shareholders' investment horizons
- Evidence that **investors' short trading horizons amplify negative shocks**, after controlling for firm characteristics, investors' trading styles, and the contemporaneous net flows experienced by investors

Figure 4: Risks and vulnerabilities in the NBFIs sector



Source: ESRB (2022)

Thinking back to think ahead...

- Potential **long-term effects** of employing different sets of policies
- Better supervision could help reducing ex-post interventions to stabilize financial markets, yet **problems will still remain**
 - Unsustainable business models, inadequate risk management, poor corporate governance
 - Lack of coordination in the applications of policies across countries
 - Even less regulated and “more opaque” institutions could gain additional ground
- Where could we start then?
 - Effective supervision requires better **data** (quality, availability and accessibility) and more resources
 - Think more carefully about whether making ex-post intervention more costly could already be an **effective deterrent** for excessive risk-taking

