Changes in Prudential Policy Instruments–A New Cross-Country Database

Presentation Proposal for the Third Annual IFM Data Sources Project

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Data Description: This new prudential database by the International Banking Research Network documents changes in the usage intensity of several widely used prudential tools, taking into account both macro-prudential and micro-prudential objectives. The database coverage is broad, spanning 64 countries, and with quarterly data for the period 2000Q1 through 2014Q4. The five types of prudential instruments in the database are: capital buffers, interbank exposure limits, concentration limits, loan to value (LTV) ratio limits, and reserve requirements. A total of nine prudential tools are constructed since some useful further decompositions are presented. The prudential database aggregates information from primary sources (e.g., central bank reports) and secondary sources (e.g., the Global Macro-prudential Policy Instruments survey conducted by the IMF during 2013). The resulting database provides a comprehensive, multi-country, longitudinal overview of prudential policies at quarterly frequency. Efforts to ensure the consistency of the dataset were the result of feedback received directly from country regulators on the accuracy of the policy changes recorded in the database. See Cerutti, Correa, Fiorentino, and Segalla (2016) for more details.

Usefulness of the data: The global financial crisis has brought to the fore the importance of financial stability, and triggered significant changes in banking regulation in recent years. Prudential instruments involving the banking system are essential in the policymaking toolkit to promote financial stability. They constitute the tools most often used to implement both microprudential and macroprudential policies. Nevertheless, analyses on their effectiveness, unintended consequences, and even descriptions of their use, especially at the cross-country level, are largely a work in progress. Beyond a larger coverage of countries or instruments compared to other datasets capturing regulatory changes, the dataset includes instruments that are used to achieve microprudential objectives as well as the macroprudential instruments covered by other databases.

Recent Applications: As part of the 2015 International Banking Research Network (IBRN) initiative, which examines domestic effects and international spillovers of changes in prudential instruments, this dataset has been already used in 17 studies by central banks on how the lending of internationally active banks responds to prudential policies implemented in home and foreign markets (see Buch and Goldberg, 2016, for discussion and meta-analysis). Given the unique nature of the dataset, it could be used to conduct cross-country analyses in the research and policy communities focused, for example, on the effectiveness of micro- and macro-prudential policies and their macroeconomic and international implications.

References:

Buch, C., and L. Goldberg, 2016. "Cross-Border Prudential Policy Spillovers: How Much? How Important? Evidence from the International Banking Research Network."

Cerutti, E., Correa, R., Fiorentino, E., Segalla, E. 2016. "Changes in prudential policy instruments: a new cross country database." Mimeo.

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