

Bank for International Settlements (BIS)
Colloquium in Honour of
Claudio Borio, my “intellectual mentor”

Viral V Acharya

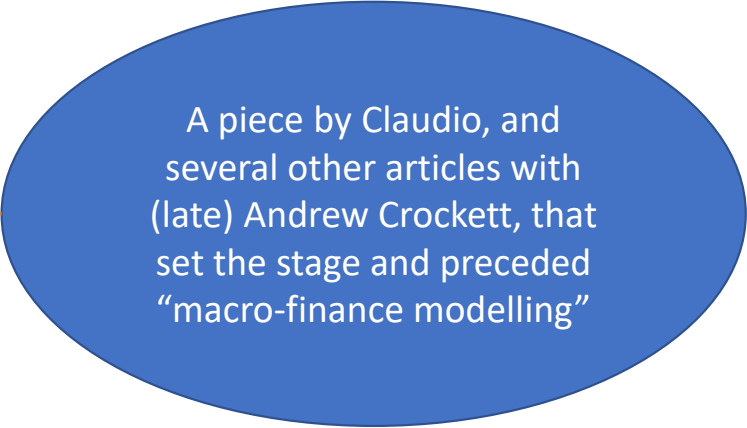
New York University Stern School of Business

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BIS Working Papers

No 128

Towards a macroprudential framework for financial supervision and regulation?



A piece by Claudio, and several other articles with (late) Andrew Crockett, that set the stage and preceded “macro-finance modelling”

by Claudio Borio

Monetary and Economic Department

February 2003

Abstract

Over the last decade or so, addressing financial instability has risen to the top of the policy agenda. This essay argues that in order to improve the safeguards against financial instability, it may be desirable to strengthen further the macroprudential orientation of current prudential frameworks, a process that is already under way. **The essay defines, compares and contrasts the macro- and microprudential dimensions that inevitably coexist in financial regulatory and supervisory arrangements, examines the nature of financial instability against this background and draws conclusions about the broad outline of desirable policy efforts.**

Macro-pru vs micro-pru comparison: a perfect guide for systemic-risk modelling since 2007–08

Table 1

The macro- and microprudential perspectives compared

	Macroprudential	Microprudential
Proximate objective	limit financial system-wide distress	limit distress of individual institutions
Ultimate objective	avoid output (GDP) costs	consumer (investor/depositor) protection
Model of risk	(in part) endogenous	exogenous
Correlations and common exposures across institutions	important	irrelevant
Calibration of prudential controls	in terms of system-wide distress; top-down	in terms of risks of individual institutions; bottom-up

Claudio's ideas are to me like

“Limoncello”

which he introduced me to as a host
during my BIS internship in May 2021

Intoxicating...

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Multiplying in impact over time...

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Being served “out of the box” 😊

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