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Towards a macroprudential framework for financial supervision and regulation?

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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.

