

[Press release ECB publishes final results of Macro-prudential Research Network](#)

- ECB publishes final results of four-year macro-prudential research project
- Researchers across Europe wrote 160 papers
- Work is important contribution to preventing future financial crises

The European Central Bank (ECB) today publishes a final report summarising the work of the Macro-prudential Research Network (MaRs). Established in 2010 by the European System of Central Banks (ESCB), the network is a collective effort seeking to lay analytical foundations of new macro-prudential policies around the globe.

The G20 identified macro-prudential supervision and regulation – which seeks to mitigate risk in the financial system as a whole – as key to containing the systemic risks that sparked the financial crisis in 2007.

Overall, MaRs produced more than 160 individual research papers and completed several large joint cross-country projects involving multiple central banks.

The work spans a huge field, but three key conclusions are:

Improving macroeconomic models used by central banks and others. MaRs’ fundamental research sought to integrate characterisations of widespread financial instability into macroeconomic models that central banks and other policy authorities use for analysing economic developments. MaRs developed a series of theoretical and empirical models. These let policy makers analyse how financial imbalances can build up over time and then break down in a crisis; how systemic financial crises can lead to drastic macroeconomic adjustments and recessions that traditional economic models are unable to predict; and how specific macro-prudential regulatory policies can diminish systemic risks.

Measuring systemic risk. A second key area of MaRs’ practical analytical work was to develop tools that measure the degree of systemic financial instability in an economy and provide early warnings about the build-up of financial imbalances. One specific output was the ECB’s Composite Indicator of Systemic Stress (CISS), which is now closely watched. Moreover, MaRs researchers identified the strengths and weaknesses of a series of early warning indicators and models.

Assessing the risk of bank contagion. The third key area dealt with assessing the risk of bank contagion in Europe, including across borders. MaRs researchers in cooperation with payment system experts established a new data infrastructure – derived from payment system information – for analysing and monitoring the stability of the euro interbank market. Several models and tools were developed for assessing interbank market contagion, stress and fragmentation.

“The ECB has been proud to help steer this collective effort of researchers from central banks all over Europe,” ECB Vice President Vítor Constâncio said. “Alongside the models and tools already developed, we would very much welcome the wider economics profession take up the work started by MaRs, notably on early warning models and using frameworks that incorporate financial instability in macroeconomics to assess macro-prudential regulatory instruments.”

The MaRs report, as well as research papers presented at a MaRs conference held at the ECB on 23

and 24 June 2014, can be downloaded from the ECB's website.

For media enquiries, please contact Philippe Rispal on +49 69 1344 5482.