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Opening Remarks

by

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Chairman

Board of Governors of the Federal Reserve System

at

“Regulation of Systemic Risk,” a conference cosponsored by the Federal Reserve Board  
and the *Journal of Money, Credit and Banking*

Washington, D.C.

September 15, 2011

Distinguished guests, I would like to welcome you to this conference on the “Regulation of Systemic Risk,” which is jointly sponsored by the Federal Reserve Board and the *Journal of Money, Credit and Banking*.<sup>1</sup> It is the fourth conference in a series that was initiated in 2005 and is held every two years. These conferences support original research on topics that are highly relevant for the Federal Reserve’s public policy mission. Conference proceedings are subsequently published in special issues of the journal and disseminated to researchers at central banks and academic institutions worldwide.

While the previous three conferences focused on monetary policy issues, the papers presented at this conference relate to the Federal Reserve’s duty to maintain financial stability and contain systemic risk. The Dodd-Frank Wall Street Reform and Consumer Protection Act now requires the Federal Reserve to take a macroprudential approach to financial regulation--that is, to consider the health of the financial system as well as the health of individual firms and markets.

The recent financial crisis has spurred a great deal of research on its causes and, more broadly, on the topic of systemic risk and its regulation. This research is of critical importance. It can inform the design and implementation of macroprudential regulations and policies, and I suspect no one in this audience needs to be convinced that we must get this right. The nine papers at this conference make a variety of welcome contributions in this area. Two focus on an important aspect of the recent financial crisis--namely, the

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<sup>1</sup> More information about the conference, held at the Board of Governors of the Federal Reserve System, Washington, September 15-16, 2011, is available on the Board’s website at [www.federalreserve.gov/events/conferences/2011/rsr/default.htm](http://www.federalreserve.gov/events/conferences/2011/rsr/default.htm).

rise and fall of mortgage securitization and associated swings in real estate lending.<sup>2</sup>

Other papers study the causes and indicators of systemic risk more generally and look at how well macroprudential regulations and policies can address those causes.<sup>3</sup> Finally, several papers examine specific regulations from a macroprudential perspective, including capital requirements and risk retention rules for securitization.<sup>4</sup>

The discussants' remarks, the general discussions, and the policy panel will surely be very helpful in identifying fruitful directions for further research. I welcome you to the Federal Reserve and wish you a stimulating and productive conference.

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<sup>2</sup> See Paul Calem, Francisco Covas, and Jason Wu (2011), "The Impact of a Liquidity Shock on Bank Lending: The Case of the 2007 Collapse of the Private-Label RMBS Market," August 15, [www.federalreserve.gov/events/conferences/2011/rsr/papers/CalemCovasWu.pdf](http://www.federalreserve.gov/events/conferences/2011/rsr/papers/CalemCovasWu.pdf); and Andrew Cohen (2011), "Rating Shopping in the CMBS Market," September, [www.federalreserve.gov/events/conferences/2011/rsr/papers/Cohen.pdf](http://www.federalreserve.gov/events/conferences/2011/rsr/papers/Cohen.pdf).

<sup>3</sup> See Viral Acharya (2011), "Governments as Shadow Banks: The Looming Threat to Financial Stability," September, [www.federalreserve.gov/events/conferences/2011/rsr/papers/Acharya.pdf](http://www.federalreserve.gov/events/conferences/2011/rsr/papers/Acharya.pdf); Franklin Allen and Elena Carletti (2011), "Systemic Risk from Real Estate and Macro-prudential Regulation," August 22, [www.federalreserve.gov/events/conferences/2011/rsr/papers/AllenCarletti.pdf](http://www.federalreserve.gov/events/conferences/2011/rsr/papers/AllenCarletti.pdf); Xavier Freixas and Jean-Charles Rochet (2011), "Taming SIFIs," September 7, [www.federalreserve.gov/events/conferences/2011/rsr/papers/FreixasRochet.pdf](http://www.federalreserve.gov/events/conferences/2011/rsr/papers/FreixasRochet.pdf); and Joon-Ho Hahm, Hyun Song Shin, and Kwanho Shin (2011), "Non-Core Bank Liabilities and Financial Vulnerability," August 27, [www.federalreserve.gov/events/conferences/2011/rsr/papers/HahmShinShin.pdf](http://www.federalreserve.gov/events/conferences/2011/rsr/papers/HahmShinShin.pdf).

<sup>4</sup> For papers related to capital requirements, see Ian Christensen, Césaire Meh, and Kevin Moran (2011), "Leverage Regulation and Macroeconomic Dynamics," August 18, [www.federalreserve.gov/events/conferences/2011/rsr/papers/ChristensenMehMoran.pdf](http://www.federalreserve.gov/events/conferences/2011/rsr/papers/ChristensenMehMoran.pdf); and Enrico Perotti, Lev Ratnovski, and Razvan Vlahu (2011), "Capital Regulation and Tail Risk," July, [www.federalreserve.gov/events/conferences/2011/rsr/papers/PerottiRatnovskiVlahu.pdf](http://www.federalreserve.gov/events/conferences/2011/rsr/papers/PerottiRatnovskiVlahu.pdf).

For a paper related to risk retention rules for securitization, see John Kiff and Michael Kisser (2011), "A Shot at Regulating Securitization," September 9, [www.federalreserve.gov/events/conferences/2011/rsr/papers/KiffKisser.pdf](http://www.federalreserve.gov/events/conferences/2011/rsr/papers/KiffKisser.pdf).