

PREFACE

The *Global Financial Stability Report* (GFSR) assesses key risks facing the global financial system. In normal times, the report seeks to play a role in preventing crises by highlighting policies that may mitigate systemic risks, thereby contributing to global financial stability and the sustained economic growth of the IMF's member countries. Risks to financial stability have declined since the October 2012 GFSR, providing support to the economy and prompting a rally in risk assets. These favorable conditions reflect a combination of deeper policy commitments, renewed monetary stimulus, and continued liquidity support. The current report analyzes the key challenges facing financial and nonfinancial firms as they continue to repair their balance sheets and unwind debt overhangs. The report also takes a closer look at the sovereign credit default swaps market to determine its usefulness and its susceptibility to speculative excesses. Lastly, the report examines the issue of unconventional monetary policy ("MP-plus") and its potential side effects, and suggests the use of macroprudential policies, as needed, to lessen vulnerabilities, allowing country authorities to continue using MP-plus to support growth while protecting financial stability.

The analysis in this report has been coordinated by the Monetary and Capital Markets (MCM) Department under the general direction of José Viñals, Financial Counsellor and Director. The project has been directed by Jan Brockmeijer and Robert Sheehy, both Deputy Directors; Peter Dattels and Laura Kodres, Assistant Directors; and Matthew Jones, Advisor. It has benefited from comments and suggestions from the senior staff in the MCM department.

Individual contributors to the report are Ali Al-Eyd, Sergei Antoshin, Serkan Arslanalp, Craig Botham, Jorge A. Chan-Lau, Yingyuan Chen, Ken Chikada, Julian Chow, Nehad Chowdhury, Sean Craig, Reinout De Bock, Jennifer Elliott, Michaela Erbenova, Jeanne Gobat, Brenda González-Hermosillo, Dale Gray, Sanjay Hazarika, Heiko Hesse, Changchun Hua, Anna Ilyina, Tommaso Mancini-Griffoli, S. Erik Oppers, Bradley Jones, Marcel Kasumovich, William Kerry, John Kiff, Frederic Lambert, Rebecca McCaughrin, Peter Lindner, André Meier, Paul Mills, Nada Oulidi, Hiroko Oura, Evan Papageorgiou, Vladimir Pillonca, Jaume Puig, Jochen Schmittmann, Miguel Segoviano, Jongsoo Shin, Stephen Smith, Nobuyasu Sugimoto, Narayan Suryakumar, Takahiro Tsuda, Kenichi Ueda, Nico Valckx, and Chris Walker. Martin Edmonds, Mustafa Jamal, Oksana Khadarina, and Yoon Sook Kim provided analytical support. Gerald Gloria, Nirmaleen Jayawardane, Juan Rigat, Adriana Rota, and Ramanjeet Singh were responsible for word processing. Eugenio Cerutti, Ali Sharifkhani, and Hui Tong provided database and programming support. Joanne Johnson and Gregg Forte of the External Relations Department edited the manuscript and the External Relations Department coordinated production of the publication.

This particular issue draws, in part, on a series of discussions with banks, clearing organizations, securities firms, asset management companies, hedge funds, standards setters, financial consultants, pension funds, central banks, national treasuries, and academic researchers. The report reflects information available up to April 2, 2013.

The report benefited from comments and suggestions from staff in other IMF departments, as well as from Executive Directors following their discussion of the *Global Financial Stability Report* on April 1, 2013. However, the analysis and policy considerations are those of the contributing staff and should not be attributed to the Executive Directors, their national authorities, or the IMF.