Table 1.5. Policy Measures and Effectiveness

Measure	Policy Objective	Effectiveness
Inclusion of illiquid assets as eligible collateral in central bank operations.	Ease funding of illiquid assets.	Successful in providing short-term funding; but concerns remain about certainty of long-term funding and about solvency.
Enhanced disclosure of troubled asset valuations and risks. Movement of some assets from trading book for valuation on accrual basis.	Reduce uncertainty and unnecessary volatility in illiquid asset valuations.	Volatility in reported balance sheets reduced by move to banking book. But market confidence in asset valuations remains low, and concerns have spread to a much wider range of assets as the economy worsens.
Central bank or other official sector purchases of illiquid loans and securitizations.	Provide official funding to lending markets where private sector demand dries up.	Effective in supporting high-quality, short-term lending markets, notably commercial paper. The first phase of the U.S. Troubled Assets Relief Program abandoned plans to buy structured assets from the market; the Public-Private Investment Program will instead seek to purchase assets through a public-private partnership.
Official sector "solvency guarantees" of portfolios of assets, covering assets that are troubled or vulnerable to the economic downturn.	Cap banks' losses on troubled assets.	The United Kingdom has launched such a program. U.S. operations for Citibank and Bank of America have eased some of the immediate pressures on the banks, but now are being supplemented with other measures to address troubled assets and stress-test the capital adequacy of major U.S. banks.
"Bad bank," with capped exposure for the bank transferring the assets, and the remainder of the risk with the official sector.	Remove troubled assets from banks' balance sheets and cap losses.	Most suitable where a bank's main problem concerns a given set of troubled assets. More successful than other measures in cleansing banks' balance sheets (e.g., for UBS in Switzerland and Irish banks) but can be costly.

Source: IMF staff estimates.