

PREFACE

The *Global Financial Stability Report* (GFSR) assesses key risks facing the global financial system with a view to identifying those that represent systemic vulnerabilities. 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. Despite ongoing economic recovery and improvements in global financial stability, structural weaknesses and vulnerabilities remain in some important financial systems. The current report highlights how risks have changed over the past six months, traces the sources and channels of financial distress with an emphasis on sovereign risk, notes the pressures arising from capital inflows in emerging economies, and discusses policy proposals under consideration to mend the global financial system.

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 MCM staff Jan Brockmeijer and Robert Sheehy, both Deputy Directors; Peter Dattels and Laura Kodres, Assistant Directors; and Matthew Jones, Deputy Division Chief. It has benefited from comments and suggestions from the senior staff in the MCM Department.

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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, and academic researchers. The report reflects information available up to March 23, 2011.

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 March 28, 2011. 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.