

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 increased since the April 2012 GFSR, as confidence in the global financial system has become very fragile. Despite significant and continuing efforts by European policy-makers, the principal risk remains the euro area crisis. The current report highlights how risks have changed over the past six months, traces the sources and channels of financial distress with a focus on bank deleveraging and euro area market fragmentation, examines progress on the reform agenda and whether the reforms are contributing to a safer financial system, and analyzes the relationship between financial structures and economic outcomes to determine if certain financial systems are associated with higher or more stable growth.

The analysis in this report was coordinated by the Monetary and Capital Markets (MCM) Department under the general direction of José Viñals, Financial Counsellor and Director. The project was 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.

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This issue of the GFSR 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 September 14, 2012.

The report benefited from comments and suggestions from staff in other IMF departments, as well as from Executive Directors following their discussion of the GFSR on September 14, 2012. 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.