

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. The global financial system is now undergoing a series of transitions along the path to financial stability that have led to an uptick in liquidity and emerging market risks. For policymakers, a major challenge is to respond to the increase in market volatility associated with expectations for an eventual withdrawal from unconventional monetary policy in advanced economies. The current report analyzes risks to financial stability associated with the buildup of pockets of leverage in advanced and emerging economies during the extended period of monetary accommodation, and assesses policies to minimize those risks during the transition. The report also examines the potential reasons behind the weak developments in private credit since 2008 in some advanced economies and offers a framework for determining the types of policies that may be best suited to address this issue. Lastly, the report looks at bank funding structures, identifying how they have changed over time and how they affect financial stability. The report notes that the recent reform efforts have potentially different implications for funding structures leading to some tension among them.

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 Peter Dattels, both Deputy Directors; Laura Kodres, Assistant Director; and Matthew Jones, Division Chief. It has benefited from comments and suggestions from the senior staff in the MCM department.

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