“In your view, has the IMF conducted a deeper analysis of financial sector stability and a better assessment of external sector stability in recent years?”

Absolutely not!

The IMF has not yet been able to figure out that the risk-weighted capital requirements for banks distort the allocation of bank credit to the real economy, while at the same time increasing the risk of instability, since all major bank crises ever, have always resulted from excessive exposures to what was erroneously perceived as “not risky”, and never because of excessive exposures to what was correctly perceived as risky.

Now when an “absolutely safe” is discovered ex post to be risky, it finds the bank with minimal capital.

IMF has not been able to understand that the capital requirements for banks should be based on the possibility of unexpected losses, and not on the possibility of the expected losses which should already have been cleared for by the banks through interest rates, size of exposure and other terms.

http://subprimeregulations.blogspot.com/2014/04/imf-where-have-you-been-since-financial.html

Per Kurowski

A former Executive of the World Bank (2002-2004)

Member of New Rules for Global Finance

Chairman of the Voice and Noise Foundation

http://teawithft.blogspot.com/

http://subprimeregulations.blogspot.com/