



CAPITAL ACCOUNT MANAGEMENT IN LATIN AMERICA 2005-2019

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STRUCTURE

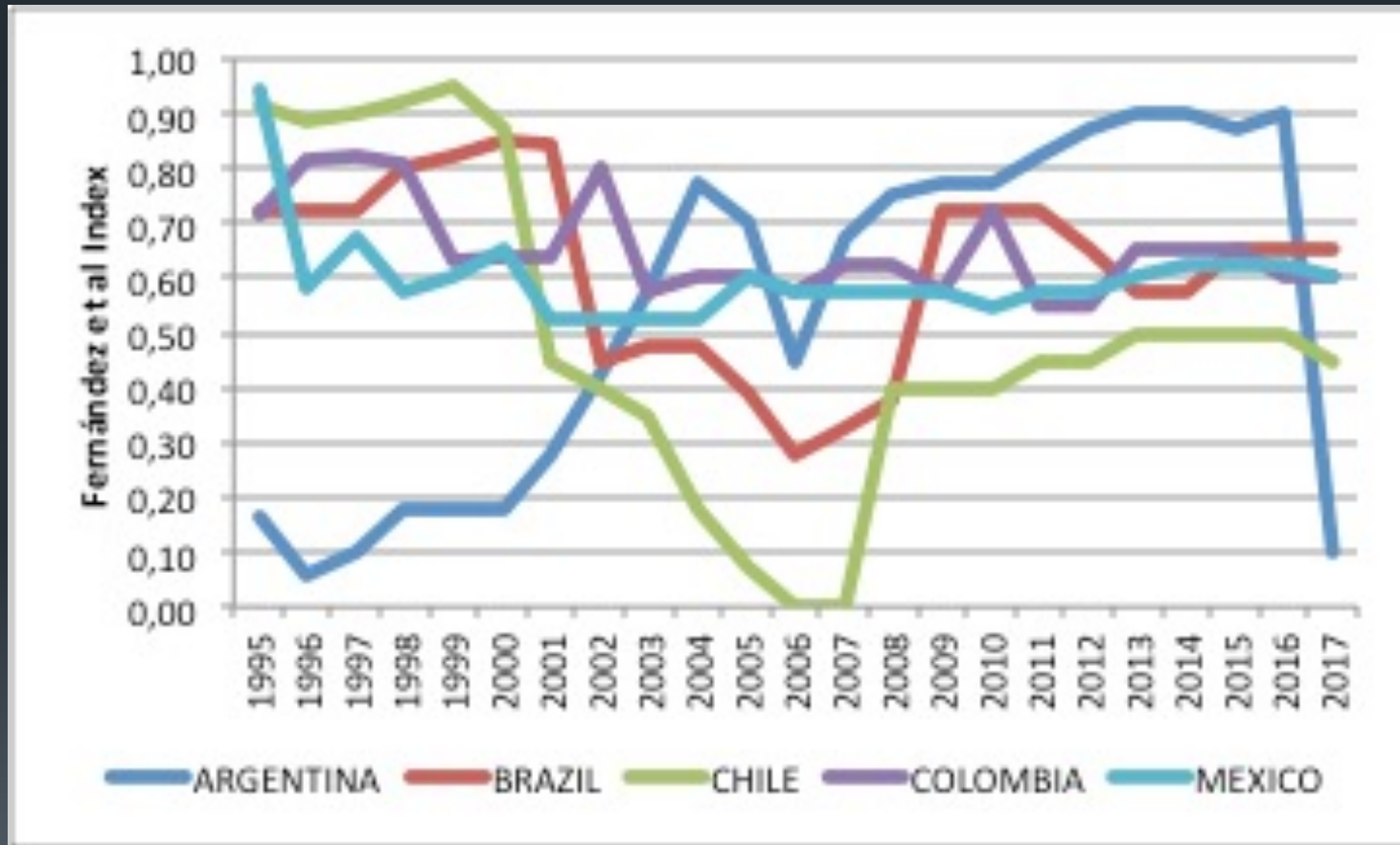
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1. MOTIVATIONS

- EXTERNAL INDEBTEDNESS (PUBLIC, FINANCIAL, NFCs)
- INTERNATIONAL FINANCIAL SPILLOVERS
- EXCHANGE RATE VOLATILITY AND SPILLOVERS
- REDUCE DOLLARIZATION (PERU)
- NEW INSTRUMENTS AND NEW ACTORS
- FINANCIAL SYSTEM RESILIENCE
- CREDIT CYCLE, HOUSING PRICES, DOMESTIC INDEBTEDNESS

CAPITAL ACCOUNT MANAGEMENT MEASURES



Source: Fernández, Klein, Rebucci and Uribe (2015) database, updated in June 2019.

CAPITAL ACCOUNT MANAGEMENT MEASURES

- FX RESERVE ACCUMULATION (5 OUT OF 6 OVERFULFILLED GREENSPAN-GUIDOTTI RULE)
- INTERVENTION IN FX AND DERIVATIVES MARKETS
- UNREMUNERATED RESERVE REQUIREMENTS (CHILE IN THE 1990S, ARGENTINA, BRAZIL, COLOMBIA, PERU)
- PERU HAD *COUNTERCYCLICAL* RESERVE REQUIREMENTS, DISTINGUISHING BY RESIDENCE AND BY TYPE OF DEBT
- MINIMUM STAYS
- TAXES, LIMITS, AUTHORIZATION, PROHIBITIONS
- IOF IN BRAZIL, TAXES ON DERIVATIVES IN PERU, TAXES ON OUTFLOWS IN ARGENTINA
- PERU: PROHIBITION FOR NON-RESIDENTS IN CB BILLS.
- PROHIBITION AND LIMITS ON FX TRADING



EFFECTS OF CAM MEASURES

- EFFECTS:
- CHANGES IN COMPOSITION OF INFLOWS
- LOWERING EXTERNAL DEBT, SOVEREIGN RISK
- LOWERING DOLLARIZATION
- WHEN COMPREHENSIVE: REDUCE ER APPRECIATION (BRAZIL), REDUCE INFLOWS
- REDUCE FX EXPOSURE
- ELUSIVE MECHANISMS

MACROPRUDENTIAL POLICIES (2000-2018)

MOST IMPLEMENTED AFTER DOMESTIC FINANCIAL CRISES
(1980s, LATE 1990s, EARLY 2000s)

SOME IMPLEMENTED AFTER 2008 (INFLOWS, CREDIT BOOMS,
BASEL)

Country	Changes	Tightening	Loosening
Brazil	58	37	21
Chile	2	1	1
Colombia	13	10	3
Mexico	24	24	0
Peru	53	34	19

Source: Alam et al (2019) iMaPP database, updated September 2020



MACROPRUDENTIAL POLICIES (2000-2018)

- FX-BASED:
- TAXES
- CAPITAL REQUIREMENTS FOR FX EXPOSURE/LENDING/BORROWING
- DIFFERENTIAL RESERVE REQUIREMENTS
- LIMITS ON FX EXPOSURE AND CURRENCY MISMATCH
- OPERATIONS WITH RELATED FIRMS
- LIQUIDITY REQUIREMENTS IN FX



MACROPRUDENTIAL POLICIES (2000-2018)

- DOMESTIC BASED:
- DYNAMIC LOAN-LOSS PROVISION
- LIMITS ON INTERBANK LENDING
- LIMITS ON CONCENTRATED LENDING
- SURCHARGES ON SIFI/D-SIF
- COUNTERCYCLICAL RESERVE REQUIREMENTS AND CAPITAL REQUIREMENTS
- LIQUIDITY REGULATIONS
- CAPITAL REQUIREMENTS ON HOUSING, CAR, CONSUMER LOANS
- LTV – DTI - DSTI



EFFECTS OF MPPs

- REDUCE FX EXPOSURE/DEBT, IMPROVE FX LIQUIDITY
- PREVENTION OF CREDIT CRUNCHES
- REDUCE DOLLARIZATION (PERU)
- LOW NPLs, WELL CAPITALIZED BANKS
- ATTENUATION OF EXTERNAL *BANKING* SHOCKS
- ATTENUATION OF CREDIT GROWTH



NEW VULNERABILITIES

- MAIN CHALLENGES:
- EXTERNAL INDEBTEDNESS OF NFCs
- ROLE OF NON-RESIDENTS IN DOMESTIC DEBT MARKETS
- EXPANSION OF COMMERCIAL LENDING (PUBLIC BANKS/DEVELOPMENT BANKS?)
- CLIMATE FINANCE?



THANKS A LOT!

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