The Changing Role and Institutional Structure of Central Banks : The Role of the Deutsche Bundesbank in the ESCB

- Peter Spicka

Starting in the late 1980s, central banks made significant changes to the way they operate. Changes came from different sources, such as financial and economic upheaval, changing political circumstances and technological progress. The establishment of the European System of Central Banks (ESCB) might be considered the most prominent example of the changing role and institutional structure of central banks.

After a brief historical overview of the progressive development of the European economic and monetary union, the key objectives and basic tasks of the ESCB are illustrated. The Deutsche Bundesbank is presented as an example of the changing role and institutional structure of national central banks in the euro area.

Financial Stability Issues at Central Banks : The Approach of the Deutsche Bundesbank

- Peter Spicka

In the second half of the 1990s, the concept of financial stability began to gain prominence among central banks, much like price stability had done in the decade before. Today, preserving the value of money is still the pre-eminent objective of most central banks, but contributing to financial stability is recognized explicitly as a major responsibility of central banks as well. At a number of central banks, the growing emphasis given to financial stability has led to organizational changes, such as the creation of committees to coordinate activities across units and the establishment of departments dedicated to financial stability. The Financial Stability Reports now published by a significant number of central banks also bear witness to these changes.

This article brings together some facts on the role of financial stability for central banks and the various approaches that are being taken. Section I focuses on the increased role of financial stability for central banks and international policy makers. Section II defines terms and organizational approaches : what is meant by financial stability? How do central banks organize their financial stability function? Finally, in section III some conceptual issues of drafting a Financial Stability Report are discussed.

Monetary and Fiscal Policy Coordination, Independence and Accountability of Central Banks

- Dietrich Schönwitz

Interdependence of Financial Markets and Contagion

- Martin T Bohl

Objectives, Operating Procedures, Liquidity Management and Transmission Mechanism of Monetary Policy

- Dietrich Schönwitz

Implementing Basel II : Impressions from Germany

- Peter Spicka

The Basel II Framework describes a more comprehensive measure and minimum standard for capital adequacy that national supervisory authorities are now working to implement through domestic rule-making and adoption procedures. It seeks to improve on the existing rules by aligning regulatory capital requirements more closely with the underlying risks that banks face. In addition, the Basel II Framework is intended to promote a more forward-looking approach to capital supervision, one that encourages banks to identify the risks they may face, today and in the future, and to develop or improve their ability to manage those risks.

Basel II, therefore, plays an important role in strengthening the soundness and stability of the international financial system. After presenting the main features of the new Basel II framework, this article reflects on Germany’s experience of implementing the new rules. Furthermore, implications of the new framework are discussed and some conclusions are drawn with regard to its impact on preserving global financial stability.