



INTERNATIONAL JOURNAL OF CENTRAL BANKING

Special Issue: Policies for Macroeconomic and Financial Stability

Introduction

Opening Remarks
Charles I. Plosser

Capital Regulation in a Macroeconomic Model with Three Layers of Default
Laurent Clerc, Alexis Derviz, Caterina Mendicino, Stephane Moyen, Kalin Nikolov, Livio Stracca, Javier Suarez, and Alexandros P. Vardoulakis
Discussant: *Nobuhiro Kiyotaki*

Did the EBA Capital Exercise Cause a Credit Crunch in the Euro Area?
Jean-Stéphane Mésonnier and Allen Monks
Discussant: *Jose M. Berrospide*

Commentary: The Road to Financial Stability: Capital Regulation, Liquidity Regulation, and Resolution
Stephen G. Cecchetti

Large Banks, Loan Rate Markup, and Monetary Policy
Vincenzo Cuciniello and Federico M. Signoretti
Discussant: *Dean Corbae*

Systemic Risk and the Solvency-Liquidity Nexus of Banks
Diane Pierret
Discussant: *Tobias Adrian*

CEO Compensation, Regulation, and Risk in Banks: Theory and Evidence from the Financial Crisis
Vittoria Cerasi and Tommaso Oliviero
Discussant: *Daniel Paravisini*

Liquidity Hoarding and Inefficient Abundant Funding
Enisse Kharroubi

Centrality-Based Capital Allocations
Adrian Alter, Ben R. Craig, and Peter Raupach
Discussant: *Alireza Tahbaz-Salehi*

Commentary: Multi-Polar Regulation
Andrew G. Haldane



**Special Issue:
Policies for Macroeconomic and Financial Stability**

Introduction	1
Opening Remarks <i>Charles I. Plosser</i>	3
Capital Regulation in a Macroeconomic Model with Three Layers of Default <i>Laurent Clerc, Alexis Derviz, Caterina Mendicino, Stephane Moyen, Kalin Nikolov, Livio Stracca, Javier Suarez, and Alexandros P. Vardoulakis</i>	9
Discussion: <i>Nobuhiro Kiyotaki</i>	65
Did the EBA Capital Exercise Cause a Credit Crunch in the Euro Area? <i>Jean-Stéphane Mésonnier and Allen Monks</i>	75
Discussion: <i>Jose M. Berrospide</i>	119
The Road to Financial Stability: Capital Regulation, Liquidity Regulation, and Resolution <i>Stephen G. Cecchetti</i>	127
Large Banks, Loan Rate Markup, and Monetary Policy <i>Vincenzo Cuciniello and Federico M. Signoretti</i>	141
Discussion: <i>Dean Corbae</i>	179
Systemic Risk and the Solvency-Liquidity Nexus of Banks <i>Diane Pierret</i>	193
Discussion: <i>Tobias Adrian</i>	229
CEO Compensation, Regulation, and Risk in Banks: Theory and Evidence from the Financial Crisis <i>Vittoria Cerasi and Tommaso Oliviero</i>	241
Discussion: <i>Daniel Paravisini</i>	299
Liquidity Hoarding and Inefficient Abundant Funding <i>Enisse Kharroubi</i>	303
Centrality-Based Capital Allocations <i>Adrian Alter, Ben R. Craig, and Peter Raupach</i>	329
Discussion: <i>Alireza Tahbaz-Salehi</i>	379
Multi-Polar Regulation <i>Andrew G. Haldane</i>	385

The contents of this journal, together with additional materials provided by article authors, are available without charge at www.ijcb.org.

Copyright © 2015 by the Association of the International Journal of Central Banking. All rights reserved. Brief excerpts may be reproduced or translated provided the source is cited. Consult www.ijcb.org for further information.

The *International Journal of Central Banking* is published quarterly (ISSN: 1815-4654). Online access to the publication is available free of charge at www.ijcb.org. Individual print subscriptions are available. Orders may be placed by phone (001 415 974 2035), via fax (001 415 974 2168), or by e-mail (editor@ijcb.org).

Renewals, claims, address changes, and requests for permission to reprint material from this journal should be addressed to:

International Journal of Central Banking
Economic Research Department
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, CA 94105
USA

Phone: 001 415 974 2035
Fax: 001 415 974 2168
E-mail: editor@ijcb.org

The views expressed in this journal do not necessarily represent the views of the Association of the International Journal of Central Banking or any of its members.

ISSN: 1815-4654

International Journal of Central Banking

Board of Directors

Chairman

Claudio Borio, *Bank for International Settlements*

Board Members

Q. Farooq Akram, *Norges Bank*
Abdulrahman Al-Hamid, *Saudi Arabian Monetary Agency*
David E. Altig, *Federal Reserve Bank of Atlanta*
Carlos Hamilton Vasconcelos Araujo, *Central Bank of Brazil*
Jan Marc Berk, *The Nederlandsche Bank*
Mohamed Tahar Bouhouche, *Bank of Algeria*
Laurent Clerc, *Bank of France*
Francisco G. Dakila Jr., *Central Bank of the Philippines*
Spencer Dale, *Bank of England*
Jean-Pierre Danthine, *Swiss National Bank*
Michael Dotsey, *Federal Reserve Bank of Philadelphia*
William English, *Federal Reserve Bank*
Jiang Feng, *People's Bank of China*
Manuel Ramos Francia, *Bank of Mexico*
Jeffrey C. Fuhrer, *Federal Reserve Bank of Boston*
Kamil Galuscak, *Czech National Bank*
Andrés González Gómez, *Banco de la República*
Niels Lynggård Hansen, *Danmarks Nationalbank*
Philipp Hartmann, *European Central Bank*
Dong He, *Hong Kong Monetary Authority*
Heinz Herrmann, *Deutsche Bundesbank*
Tor Jacobson, *Sveriges Riksbank*
Juan F. Jimeno, *Bank of Spain*
George A. Kahn, *Federal Reserve Bank of Kansas City*
Ali Hakan Kara, *Central Bank of Turkey*
Christopher Kent, *Reserve Bank of Australia*
Evan Koenig, *Federal Reserve Bank of Dallas*
Ana Christina Leal, *Bank of Portugal*
Choy Keen Meng, *Monetary Authority of Singapore*
John McDermott, *Reserve Bank of New Zealand*
Maurice McGuire, *Central Bank of Ireland*
Deepak Mohanty, *Reserve Bank of India*
Vyacheslav Morgunov, *Central Bank of Russian Federation*
Alberto Naudon, *Central Bank of Chile*
Edward Offenbacher, *Bank of Israel*
Fabio Panetta, *Bank of Italy*
Thórarinn G. Pétursson, *Central Bank of Iceland*
Cristian Popa, *National Bank of Romania*
Ivan Ribnikar, *Bank of Slovenia*
Lawrence Schembri, *Bank of Canada*
Sam Schulhofer-Wohl, *Federal Reserve Bank of Minneapolis*
Mark Schweitzer, *Federal Reserve Bank of Cleveland*
Jan Smets, *National Bank of Belgium*
Young Kyung Suh, *Bank of Korea*
Daniel Sullivan, *Federal Reserve Bank of Chicago*
Altin Tanku, *Bank of Albania*
Juha Tarkka, *Bank of Finland*
George Tavlas, *Bank of Greece*
Joseph Tracy, *Federal Reserve Bank of New York*
Dobieslaw Tymoczko, *National Bank of Poland*
Christopher Waller, *Federal Reserve Bank of St. Louis*
Kenichirou Watanabe, *Bank of Japan*
John Weinberg, *Federal Reserve Bank of Richmond*

Editorial Board

Managing Editor

John C. Williams

Federal Reserve Bank of San Francisco

Co-editors

Pierpaolo Benigno LUISS Guido Carli	Harrison Hong Princeton University	Rafael Repullo CEMFI
Michael B. Devereux University of British Columbia	Loretta Mester Federal Reserve Bank of Cleveland	Stephanie Schmitt-Grohe Columbia University

Associate Editors

Patrick Bolton University of Columbia	Jordi Gali Centre de Recerca en Economia Internacional (CREI)	Eli M. Remolona Bank for International Settlements
Michael D. Bordo Rutgers University	Marvin Goodfriend Carnegie Mellon University	Hélène Rey London Business School
Mark Carey Federal Reserve Board	Michael B. Gordy Federal Reserve Board	Jean-Charles Rochet University of Toulouse
Pierre Collin-Dufresne University of Columbia	Luigi Guiso European University Institute	Andrew K. Rose University of California, Berkeley
Guy Debelle Reserve Bank of Australia	Andrew G. Haldane Bank of England	Klaus Schmidt-Hebbel Organisation for Economic Co-operation and Development (OECD)
Douglas W. Diamond University of Chicago Graduate School of Business	Takatoshi Ito University of Tokyo	Lars E.O. Svensson Sveriges Riksbank
Francis Diebold University of Pennsylvania	David Lando Copenhagen Business School	Jürgen von Hagen University of Bonn
Michael Dotsey Federal Reserve Bank of Philadelphia	Philip Lane Trinity College Dublin	Ernst-Ludwig von Thadden University of Mannheim
Darrell Duffie Stanford University	Francesco Lippi University of Sassari	Tsutomu Watanabe University of Tokyo
	Carmen M. Reinhart Harvard Kennedy School	

Advisory Board

Franklin Allen The Wharton School of the University of Pennsylvania	Hyun Shin Princeton University	Michael Woodford Columbia University
Charles Goodhart London School of Economics	Kazuo Ueda University of Tokyo	John Taylor Stanford University
	Carl E. Walsh University of California	