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Cooperation on approaches to macro-prudential and capital flow management measures: Update by the IMF and the OECD[1]

At their meeting in Washington on April 16-17, 2015, G20 Finance Ministers and Central Bank Governors asked the relevant international organisations for an update on progress in cooperation on their respective approaches to measures that are both macro-prudential measures (MPMs) and capital flow management measures (CFMs) in their next meeting in September. This follows the submission of reports on this issue that were developed in a cooperative way between the OECD and IMF in early April.

The OECD and IMF have continued to cooperate through the OECD Advisory Task Force on the OECD Code on Liberalisation of Capital Movements (ATFC), where active discussions on the balance of adherents' rights and obligations regarding certain CFMs which are also MPMs are taking place. In addition, forthcoming ATFC discussions will consider the scope for national applications of liquidity coverage ratios that may differentiate by currency while not restricting capital flows to cope with risks which some adherents have addressed through restrictions falling under the OECD Code.

The OECD-IMF cooperation helps inform each institution's assessments of specific country measures. It also aims at addressing any perception that members might receive seemingly conflicting signals from the two institutions regarding the appropriateness of such measures. Furthermore, the cooperation is helpful in explaining the consistency of the IMF and OECD approaches with the G20 Coherent Conclusions for the Management of Capital Flows and for making clear the approaches do not give rise to any conflicting legal requirements.

This builds on the established approaches of the institutions dealing with capital flow management measures that are also macro-prudential measures. The IMF's Institutional View on capital flow liberalisation and management serves to facilitate consistency and evenhandedness in Fund staff advice on the economic appropriateness of CFMs in light of circumstances; it does not create new obligations for Fund members. For its part, the OECD Capital Movements Code is a binding international agreement that provides for progressive liberalisation while recognising that countries may need to introduce new capital flow restrictions in certain circumstances; new restrictions can be introduced following due process in the collective interest of transparency and accountability, by lodging reservations or invoking derogations.

[1] This update has benefited from comments by the BIS and FSB Secretariats.

Both approaches assist countries in ensuring that measures are not more restrictive or maintained longer than necessary. The economic usefulness of maintaining CFMs over the longer term for managing systemic financial risks needs to be evaluated against their costs on an ongoing basis, and due consideration given to alternative ways that may be available to address the prudential concern that are not designed to limit capital flows.