

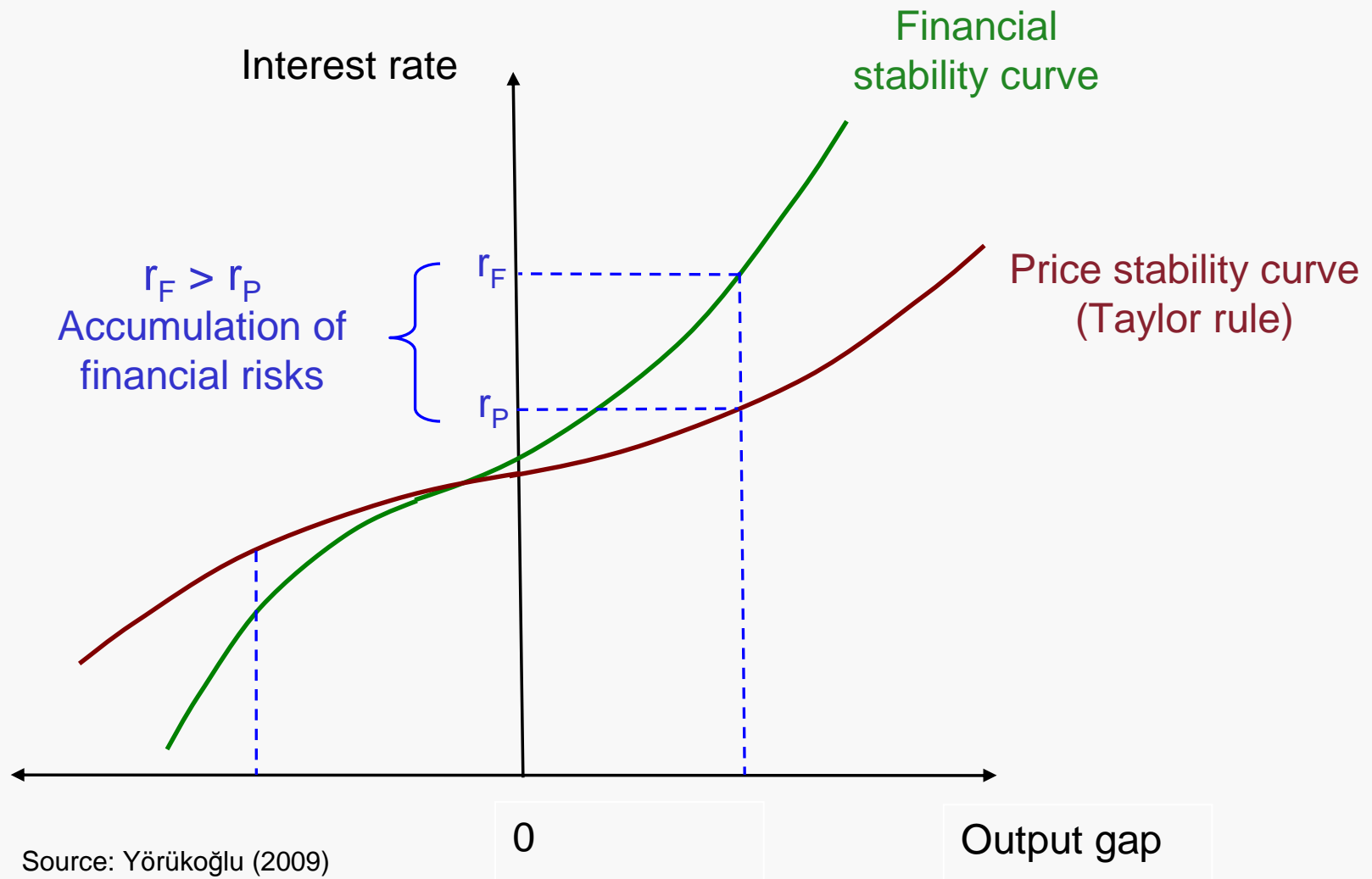
# Financial Stability and Price Stability

**Erdem BAŐÇI**  
**Deputy Governor**

**Central Bank of the Republic of Turkey**

**September 24, 2010**

# Financial Stability vs. Price Stability



Source: Yörükoğlu (2009)

# Financial Stability Objectives

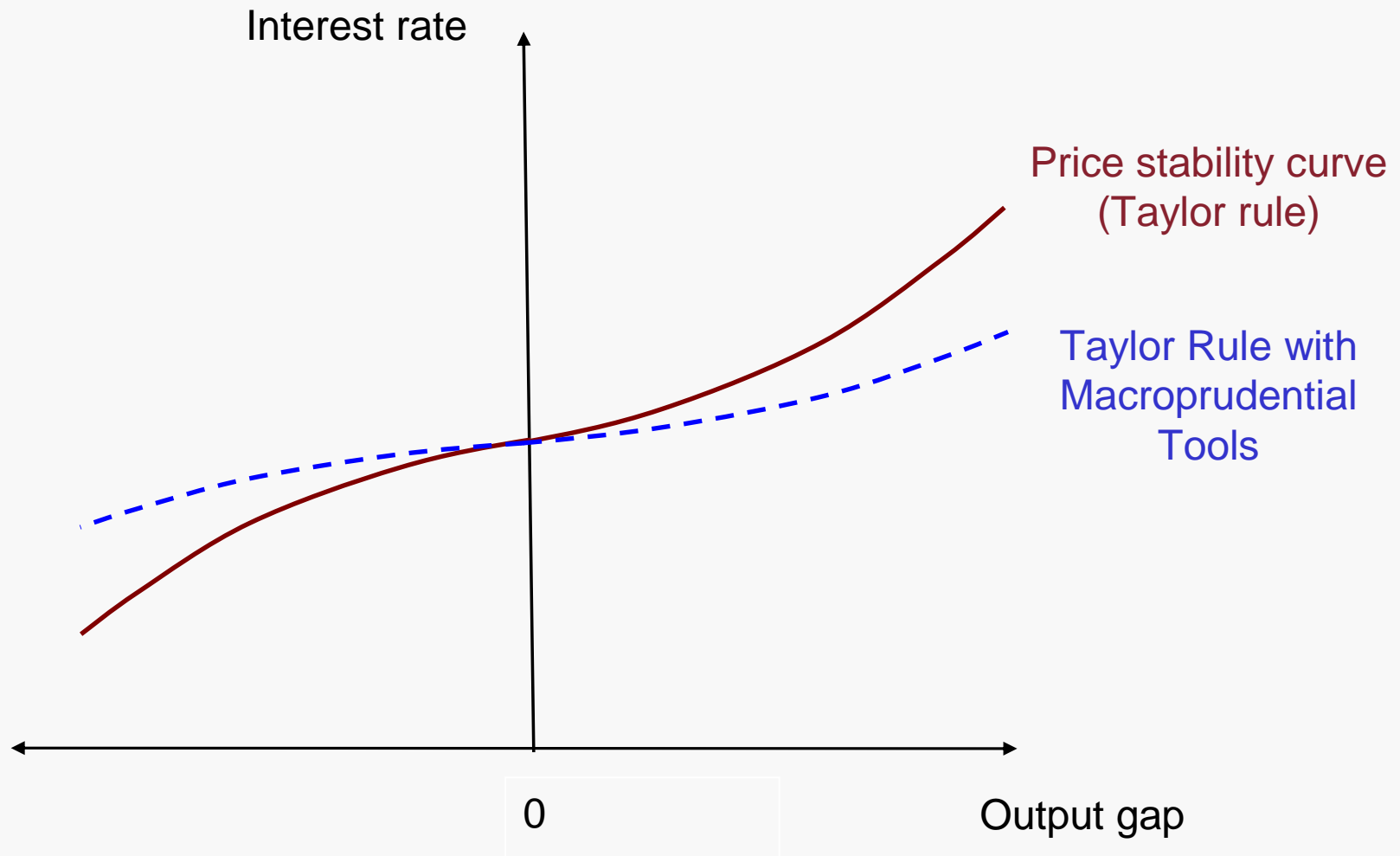
1. **Debt Ratios**: Use of more equity, less debt
2. **Debt Maturities**: Extending maturities of external borrowing and domestic deposits
3. **FX Positions**: Strengthening FX positions of the public and the private sectors
4. **Risk management practices**: More effective management of financial risks by all agents in the economy

Source: Yilmaz (2010)

# Macroprudential Tools

- 1. Reserve Requirements**
- 2. Central Bank's Liquidity Provision**
- 3. Banks' Capital Requirements**
- 4. Banks' Liquidity Requirements**
- 5. Taxes**

# Taylor Rule with Macprudential Tools



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