PREFACE

The *Global Financial Stability Report* (GFSR) assesses key risks facing the global financial system. In normal times, the report seeks to play a role in preventing crises by highlighting policies that may mitigate systemic risks, thereby contributing to global financial stability and the sustained economic growth of the IMF's member countries.

The current report finds that, despite an improvement in economic prospects in some key advanced economies, new challenges to global financial stability have arisen. The global financial system is being buffeted by a series of changes, including lower oil prices and, in some cases, diverging growth patterns and monetary policies. Expectations for rising U.S. policy rates sparked a significant appreciation of the U.S. dollar, while long-term bond yields in many advanced economies have decreased—and have turned negative for almost a third of euro area sovereign bonds—on disinflation concerns and the prospect of continued monetary accommodation. Emerging markets are caught in these global cross currents, with some oil exporters and other facing new stability challenges, while others have gained more policy space as a result of lower fuel prices and reduced inflationary pressures. The report also examines changes in international banking since the global financial crisis and finds that these changes are likely to promote more stable bank lending in host countries. Finally, the report finds that the asset management industry needs to strengthen its oversight framework to address financial stability risks from incentive problems between end-investors and portfolio managers and the risk of runs due to liquidity mismatches.

The analysis in this report has been coordinated by the Monetary and Capital Markets (MCM) Department under the general direction of José Viñals, Financial Counsellor and Director. The project has been directed by Peter Dattels and Dong He, both Deputy Directors, as well as by Gaston Gelos and Matthew Jones, both Division Chiefs. It has benefited from comments and suggestions from the senior staff in the MCM Department.

Individual contributors to the report are Ali Al-Eyd, Nicolás Arregui, Serkan Arslanalp, Jonathan Beauchamp, Rina Bhattacharya, John Bluedorn, Antoine Bouveret, Peter Breuer, Yingyuan Chen, Martin Čihák, Fabio Cortes, Cristina Cuervo, Pragyan Deb, Reinout De Bock, Martin Edmonds, Johannes Ehrentraud, Jennifer Elliott, Michaela Erbenova, Brenda González-Hermosillo, Tryggvi Gudmundsson, Sanjay Hazarika, Geoffrey Heenan, Allison Holland, Eija Holttinen, Hibiki Ichiue, Bradley Jones, David Jones, William Kerry, Oksana Khadarina, Yoon Kim, Frederic Lambert, Daniel Law, Min-Jer Lee, Peter Lindner, Andrea Maechler, Joe Maloney, Alejandro Lopez Mejia, Win Monroe, Hiroko Oura, Evan Papageorgiou, Alexandra Peter, Vladimir Pillonca, Alvaro Piris Chavarri, Jean Portier, Gabriel Presciuttini, Shaun Roache, Luigi Ruggerone, Martin Saldias, Luca Sanfilippo, Tsuyoshi Sasaki, Katharine Seal, Nobuyasu Sugimoto, Narayan Suryakumar, Shamir Tanna, Nico Valckx, Chris Walker, Jeffrey Williams, and Kai Yan. Magally Bernal, Carol Franco, Daniela Mendoza, Juan Rigat, and Adriana Rota were responsible for word processing.

Joe Procopio from the Communications Department led the editorial team and managed the report's production with support from Michael Harrup and Linda Kean and editorial assistance from Cathy Gagnet, Lucy Scott Morales, Sherrie Brown, Gregg Forte, Linda Long, David Einhorn, EEI Communications, and AGS.

This particular edition of the GFSR draws in part on a series of discussions with banks, securities firms, asset management companies, hedge funds, standards setters, financial consultants, pension funds, central banks, national treasuries, and academic researchers.

This GFSR reflects information available as of March 27, 2015. The report benefited from comments and suggestions from staff in other IMF departments, as well as from Executive Directors following their discussion of the GFSR on April 3, 2015. However, the analysis and policy considerations are those of the contributing staff and should not be attributed to the IMF, its Executive Directors, or their national authorities.