



BANK OF CANADA  
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## **Financial system safer, but job not done, says Senior Deputy Governor Wilkins**

**Toronto, Ontario**—While much has been accomplished to make the financial system more resilient, the job is not done, Senior Deputy Governor Carolyn A. Wilkins told the audience today at a conference on lessons from the crisis at the University of Toronto's Rotman School of Management.

"We have accomplished much over the past decade, and we are now reaping the benefits," said Senior Deputy Governor Wilkins. "They might not be durable, though, unless we focus on some unfinished business: refining our understanding of the role of monetary policy in supporting financial stability, keeping regulatory and supervisory policies current as risks evolve, and planning for recovery and resolution when things go wrong."

In her remarks, Senior Deputy Governor Wilkins noted that there is still debate about exactly how central banks should take financial stability considerations into account as they set monetary policy. Key to sorting this out, she said, is investing in policy models that do a better job of capturing the links between the financial system and the economy. It also requires strengthening the framework for macroprudential policies to ensure they are well suited to targeting financial system risks. "A solid framework is essential to reduce the likelihood of undue pressure for monetary policy to lean against the build-up of financial vulnerabilities," she said.

Regulatory and supervisory practices also need to stay current as new risks emerge, especially those that stem from interconnectedness in a rapidly evolving financial ecosystem. She stressed two areas of growing concern in the current context: the threat of cyber attacks and the rapid pace of financial innovation.

"Risk is constantly shifting," she said. "We learned from the crisis that, while trouble is a complex brew, financial innovation is usually a key ingredient."

Finally, even as the Bank works with domestic and international partners to identify and contain risks to the financial system, there is still work to do to be ready for when things go wrong. Canadian banks are working hard with authorities on their resolution plans, and development of a resolution framework for systemically important financial market infrastructures is under way.

"Rest assured, we will not be satisfied until all of these plans meet an appropriate standard," she said.