

# **Discussion of: Bartels, Eichengreen, Schumacher and Weder di Mauro, "Central Bank Independence and Risk-Taking at the Zero Lower Bound"**

ABFER Annual Conference

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Daniel Rees

20 May 2026

This presentation represents the views of the author only and does not reflect those of the BIS or its members.

# Overview

What the paper is about

Key question it answers

Further questions it raised (for me)

Conclusion

## **What the paper is about**

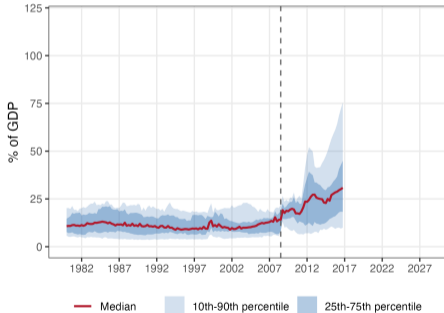
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# Motivation

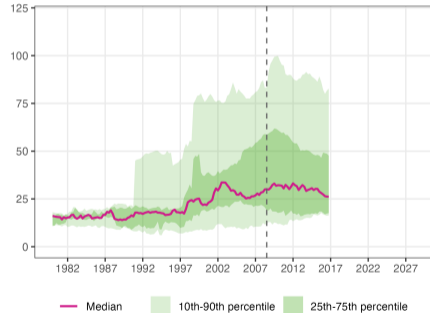
- As policy rates went to zero, the size of AE central bank balance sheets expanded

Central bank total assets (% of GDP)

Advanced economies



Emerging markets



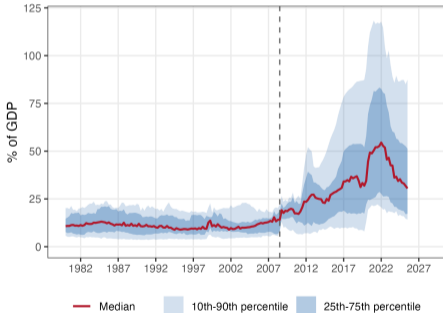
Source: BIS

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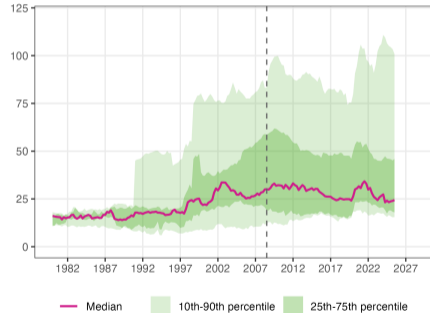
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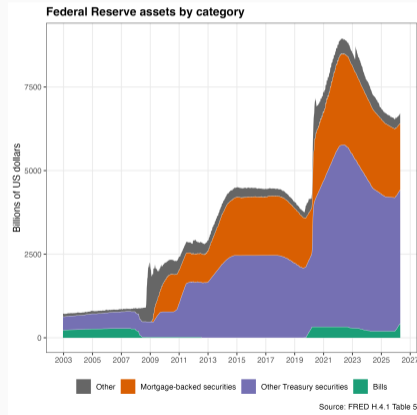
Emerging markets



Source: BIS

# Motivation

- Their composition also changed, with a shift toward (potentially) more risky assets



- Larger balance sheet + more risky assets = potential for losses
- These were realised (after the sample used in this paper)

ECONOMY • CENTRAL BANKING

## Federal Reserve Posted Loss of \$18.7 Billion in 2025

The central bank's finances are recovering after an unprecedented run of losses tied to its pandemic-era stimulus and subsequent inflation fight

By [Nick Timiraos](#) [Follow](#) and [Matt Grossman](#) [Follow](#)

March 25, 2026 12:59 pm ET

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## Swiss central bank posts record CHF132 billion loss for 2022

## Immediate thoughts (beyond paper's scope):

- Losses for who?
- Does it matter when losses occur?
- How should central banks communicate about profitability?

=> Will return to these issues.

## Key question it answers

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## The paper asks three key questions:

1. How much risk have central banks taken on?
2. What explains (mechanically) the increase in risk?
3. What macro / institutional factors explain how much risk they take on?

These are important questions.

## Immediate challenge:

1. Data on central bank assets – by type – not readily available ...
2. ... and considerable differences in accounting treatment etc.

=> Before addressing the questions, had to assemble the data.

- This was a significant (and valuable) task.
- Will the data be made available to other researchers?
- BIS Data Portal provides total assets (not breakdown by type) for large number of countries: <https://data.bis.org/topics/CBTA>

## Question 1: How much risk have central banks taken on?

- Apply Value-at-Risk (VaR) to the central bank's balance sheet
- Key conclusions:
  - Pre-GFC average VaR  $\approx$  1% of GDP.
  - Post-GFC average VaR  $\approx$  3% of GDP.
- For reference: remittances to govt. typically  $\approx$  0.25% of GDP.
- Big dispersion:
  - Australia / Canada  $<$  1% of GDP throughout.
  - US  $\approx$  2% of GDP.
  - UK / Japan  $\approx$  4% of GDP.
  - Switzerland  $>$  20% of GDP in 2015.

## Question 2: What explains (mechanically) the increase in risk?

- Increase largely from VaR on securities (ie domestic bond purchases) - except Switzerland (FX)
- Not much risk from loans
- Gold has an outsized impact?

How much of this is balance sheet size? How much is change in composition? Would be nice to see a shift-share decomposition of the change in VaR.

- If asset composition is unchanged but balance sheet expanded, then VaR would have increased by  $x\%$  of GDP.
- If balance sheet size is unchanged but asset composition shifted toward riskier assets, then VaR would have increased by  $y\%$  of GDP.

### Question 3: What determines how much risk they have taken on?

- Regression of VaR on macroeconomic and institutional variables.
- What matters (besides balance sheet size)?
  - Lower interest rates (especially at / near zero)
  - Contractionary fiscal policy
  - Central bank independence
  - GDP growth (mainly for FX-related risk)
- Implication: Independent CB balance sheets became more risky when conventional policy was limited and fiscal policy unsupportive
- No evidence of:
  - Fiscal dominance
  - Financial dominance

How economically significant are these effects?

Is there meaningful variation in CB independence?

## Overall comments

- Very worthwhile paper
- Right way to start thinking about the issue
- Data work a **very** significant contribution

Would be great to see update with more recent data + for some emerging markets.

**Further questions it raised (for me)**

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# Question 1: Losses for who?

One view: The central bank is owned by the public. Losses hurt the treasury.

The screenshot shows a news article from BaZ Economy. At the top right, there is a red button that says "4 Wochen für 1.00 testen". Below the header, there are navigation links for "Money & Law", "Stock exchange", and "Taxes". The article title is "Record losses on the markets" in red, followed by the main headline "There is no longer a windfall from the National Bank" in large black font. The sub-headline reads: "In the current year, the Swiss National Bank has already lost 142 billion francs. This is likely to have noticeable consequences for the cantons and also for the federal government." At the bottom left, there are two circular profile pictures of the authors, Armin Müller and Felix Schaad, with the text "Armin Müller, Felix Schaad (Caricature)" and "Published: 31.10.2022, 07:36". At the bottom right, there are icons for comments (106), share, and bookmark.

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**Record losses on the markets**

## There is no longer a windfall from the National Bank

In the current year, the Swiss National Bank has already lost 142 billion francs. This is likely to have noticeable consequences for the cantons and also for the federal government.

  **Armin Müller, Felix Schaad** (Caricature)  
Published: 31.10.2022, 07:36

106 |  | 

## Question 1: Losses for who?

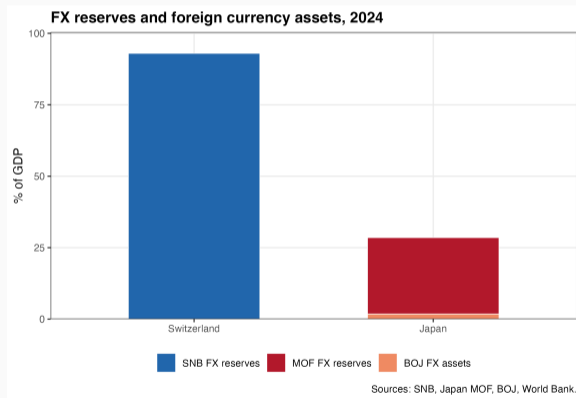
BUT: Consider the whole Government balance sheet.

<b>Central bank</b>		<b>Government</b>	
<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Bonds	Reserves		Bonds

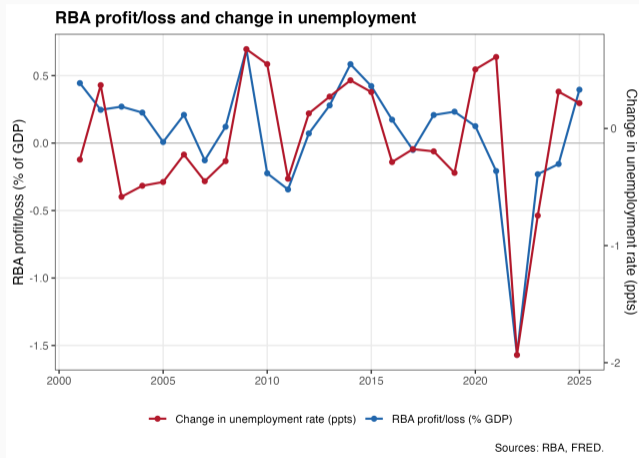
QE as an asset swap - should the losses be attributed to the central bank or the finance ministry?

## Question 1: Losses for who?

BUT: Consider the whole Government balance sheet.



## Question 2: Does it matter when losses occur?



## Question 3: How should central banks communicate?

- Central banks don't have a mandate to maximise profits
  - Doing so might undermine their core objectives
- Losses don't affect their ability to achieve their objectives
- But losses are commonly thought to threaten credibility / independence etc...

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### The populist shadow hanging over central banks and QE

The massive bond purchases are being unwound at a time of fierce political criticism of the monetary authorities. The controversy could limit options in future crises

Opinion Markets Insight

### Eurozone central banks face credibility test on losses

Full facts on the legacy of QE need to be disclosed to maintain public confidence

MARKUS KERBER

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## Question 3: How should central banks communicate?

So what should central banks do?

- Communicate little
  - Not an objective
  - Hard to explain / distract attention from core matters
- More transparency
  - The public has a right to know?
- Perhaps this paper provides a middle ground?
  - Provide a *technical assessment* of the risk they incur
  - Reach a shared understanding of acceptable parameters

## Conclusion

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- To repeat: Really enjoyed this paper
- Answers important questions ...
- ... and raises interesting ones
- Important, under-studied issue - more work is needed