

Abstract

After analyzing the different reasons why the financial system and also the regulatory framework induced procyclicality, this paper reviews the experiences of three countries which have introduced dynamic provisioning as a regulatory tool to limit procyclicality. The case of Spain—the country with the longest experience—is reviewed as well as those of Colombia having recently adopted dynamic provisioning. A number of policy lessons are drawn from that comparison.

Keywords: Financial Stability, banking regulation, dynamic provisioning, Spain, Peru