One of the first lessons I and my colleagues in the Federal Reserve drew from the financial crisis was that both regulators and financial institutions lacked a clear grasp of the risks that had been building up in the financial system. In the five years since the crisis, I have been advocating a “macroprudential” approach to monitoring the financial system—a way to make sure that threats to financial stability do not go unnoticed. The Dodd–Frank Act of 2010 went a long way toward establishing this approach. It closed many of the gaps that caused regulators to miss signs of systemic risk, and it widened our view of the financial system. There remains, however, plenty of room to improve the ability of both financial market supervisors and financial institutions to identify problems before they grow into a full-blown crisis.

The burgeoning field of financial stability analysis is already showing promise as an important resource in identifying threats in the financial system. Researchers at the Federal Reserve Bank of Cleveland have been at the forefront of financial stability analysis. The Cleveland Financial Stress Index and associated early-warning models are among a new class of tools that financial market regulators are increasingly relying on to spot emerging risks. Our Bank’s expertise in this area led us to partner with the newly created Office of Financial Research earlier this year to sponsor the newly created conference, Financial Stability Analysis: Using the Tools, Finding the Data. The cover story in this issue of Forefront provides a tour of the field of financial stability analysis through the voices of participants at the conference. You will hear from economists and computer scientists talking about how their efforts are helping to ensure that the next financial crisis can be prevented before it ever gets started.

Also in this issue is an interview with Richard Berner, the director of the Office of Financial Research, who talked with us after his conference keynote address. I encourage you to visit our website, www.clevelandfed.org/forefront for a video overview of the conference, as well as the speech I delivered on the importance of providing enhanced information about financial firms and clearer expectations for the future actions of financial regulators.

We learned some painful lessons during the financial crisis, but it is heartening that we have made tangible strides in efforts to prevent another one.