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SIMPLER AND STRONGER BANK SOLVENCY AND RESOLUTION REQUIREMENTS

Comments by

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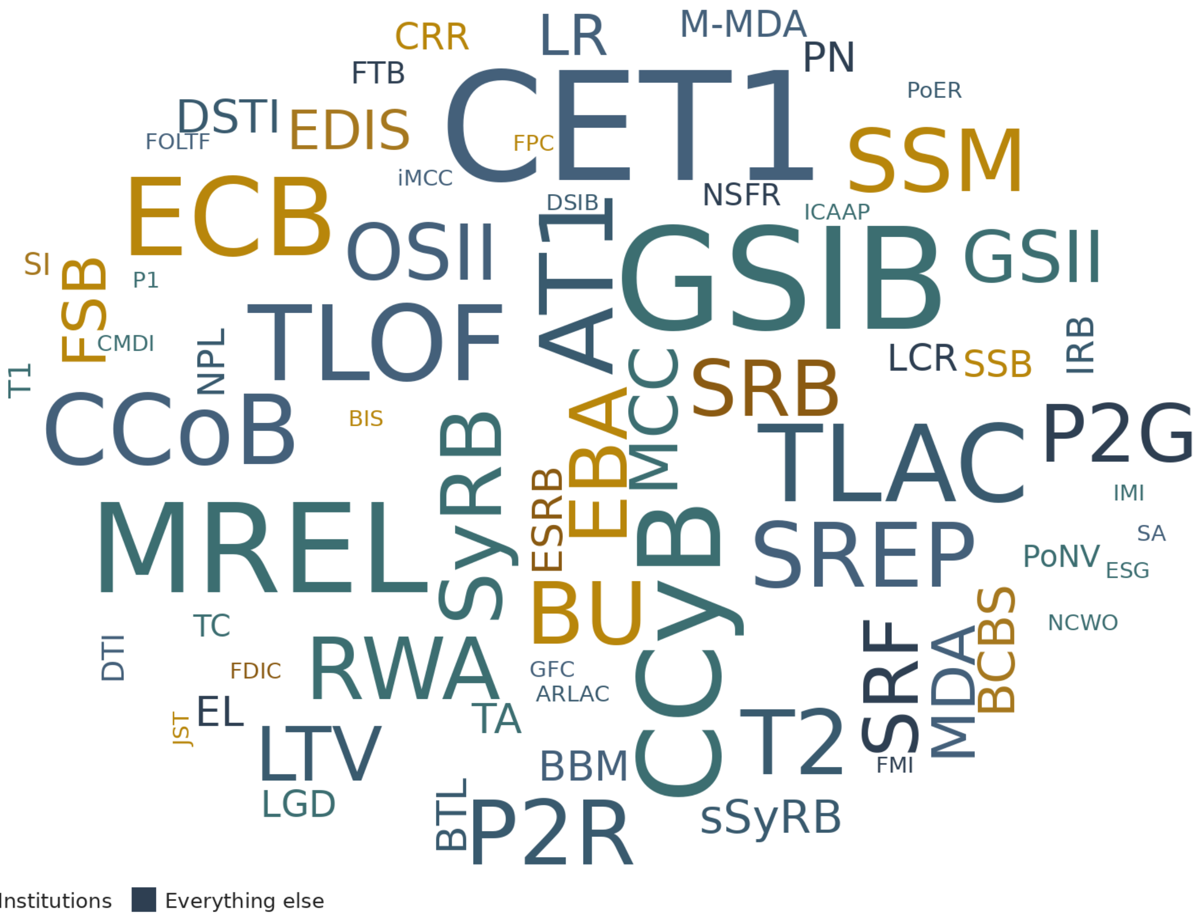
How complex is the current system?

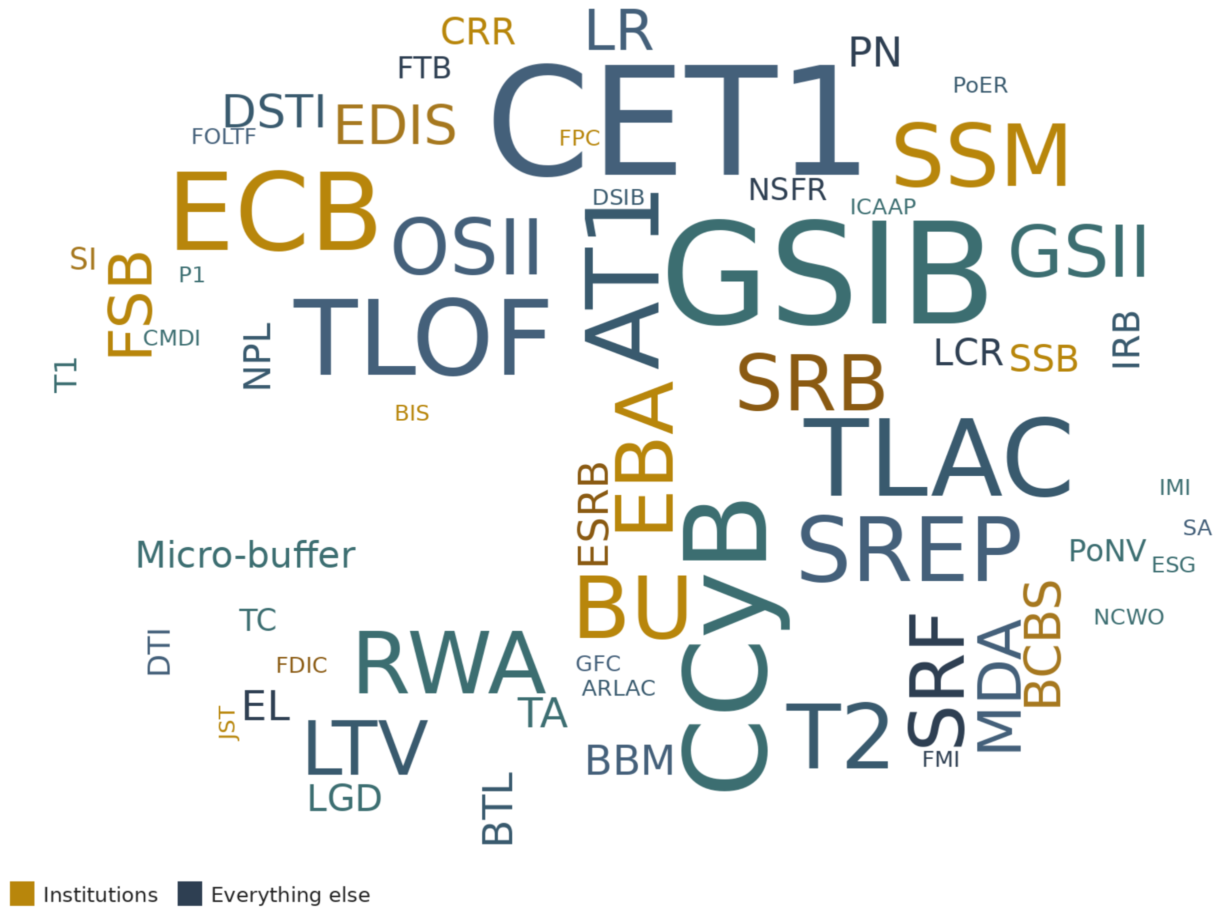


- 4 capital requirements
- 6 capital buffers
- 4 resolution requirements
- 6 resolution buffers – same 6 (plus other stuff)
- 2 liquidity requirements

Complexity is not neutral

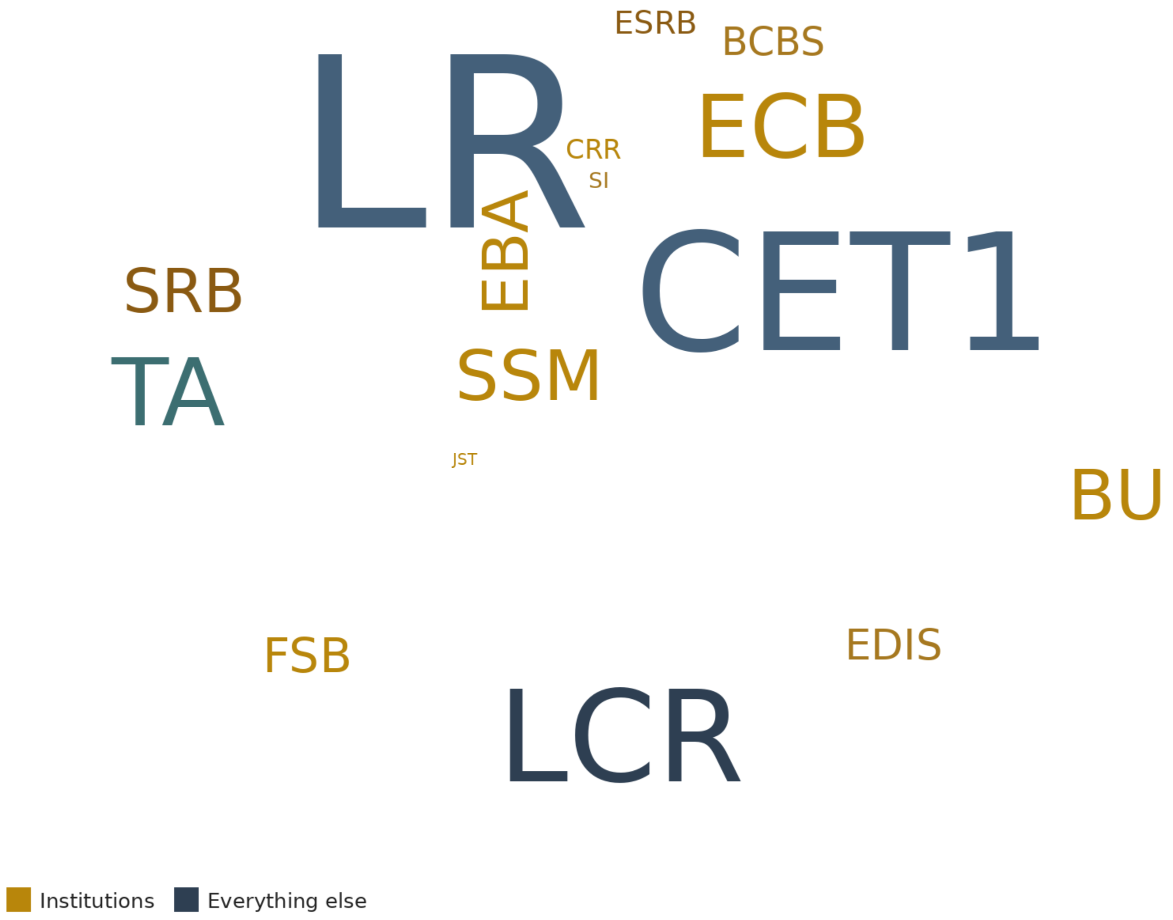
- Those that benefit
  - Large banks
  - Advisory ecosystem
- Those that pay
  - Large bank competitors
  - Investors
  - Taxpayers

Saurina’s simplification



- 4 capital requirements
- **1 capital buffer**
- **1 macro buffer** (+ GSII/OSII)
- **1 resolution requirement**
- **0 resolution buffers**
- 2 liquidity requirements

Radical simplification



- **1 capital requirement**
- **0 capital buffers**
- **0 resolution requirements**
- **0 resolution buffers**
- **1 liquidity requirement**

Regulate the whole balance sheet

- Solvency and resolution: one balance sheet, not two
- The funding side is liabilities, not just equity
- Leverage ratio absorbs losses
- Extended LCR protects depositors (30-to-365-day declining runoff)
- High trigger, then sale – not going-concern bail-in

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