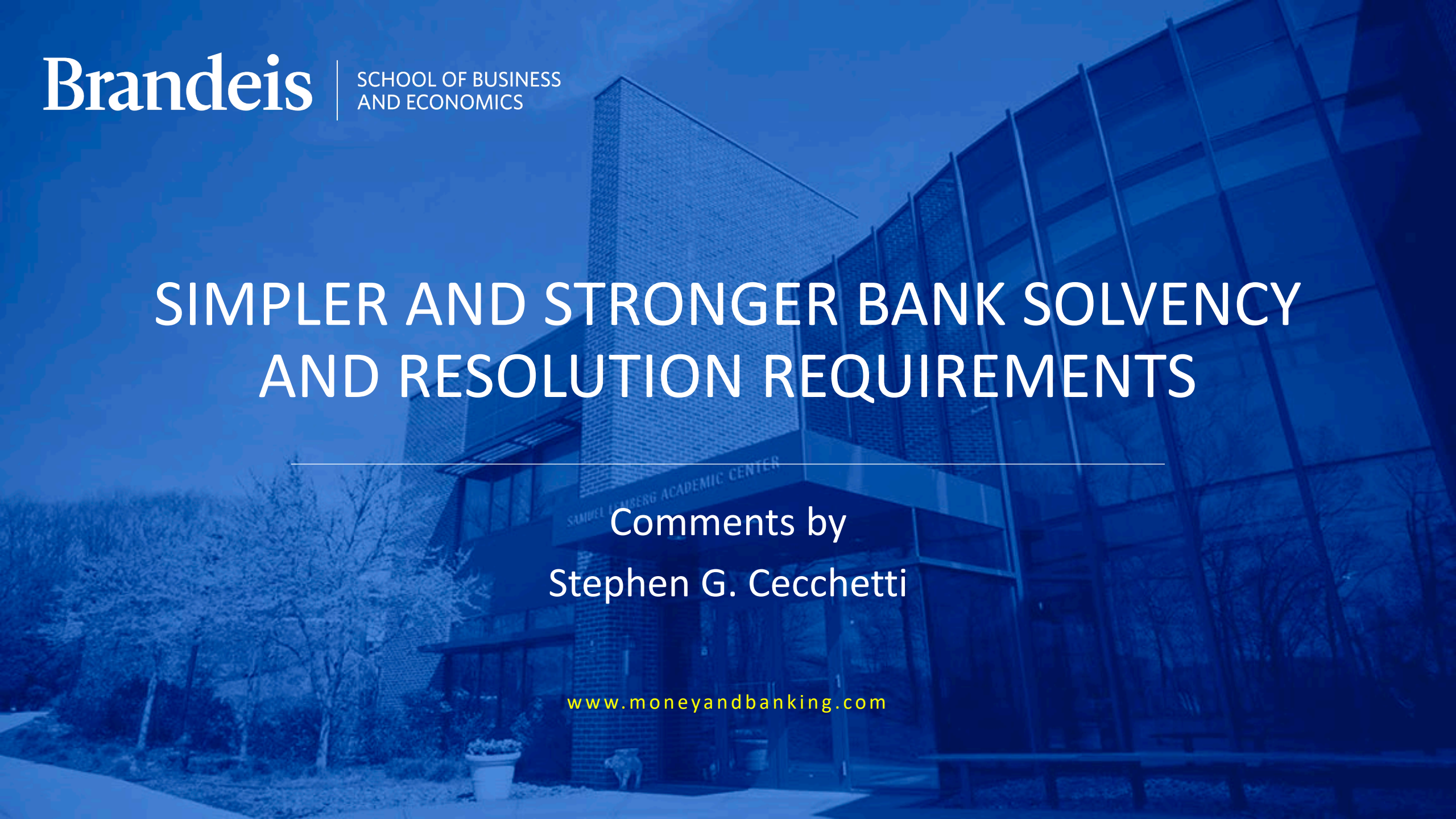


The background of the slide is a photograph of the Samuel H. Hays Academic Center at Brandeis University. The building is a modern structure with a prominent brick tower and large glass windows. The entire image is overlaid with a blue tint. In the foreground, there are some trees and a bench.

Brandeis

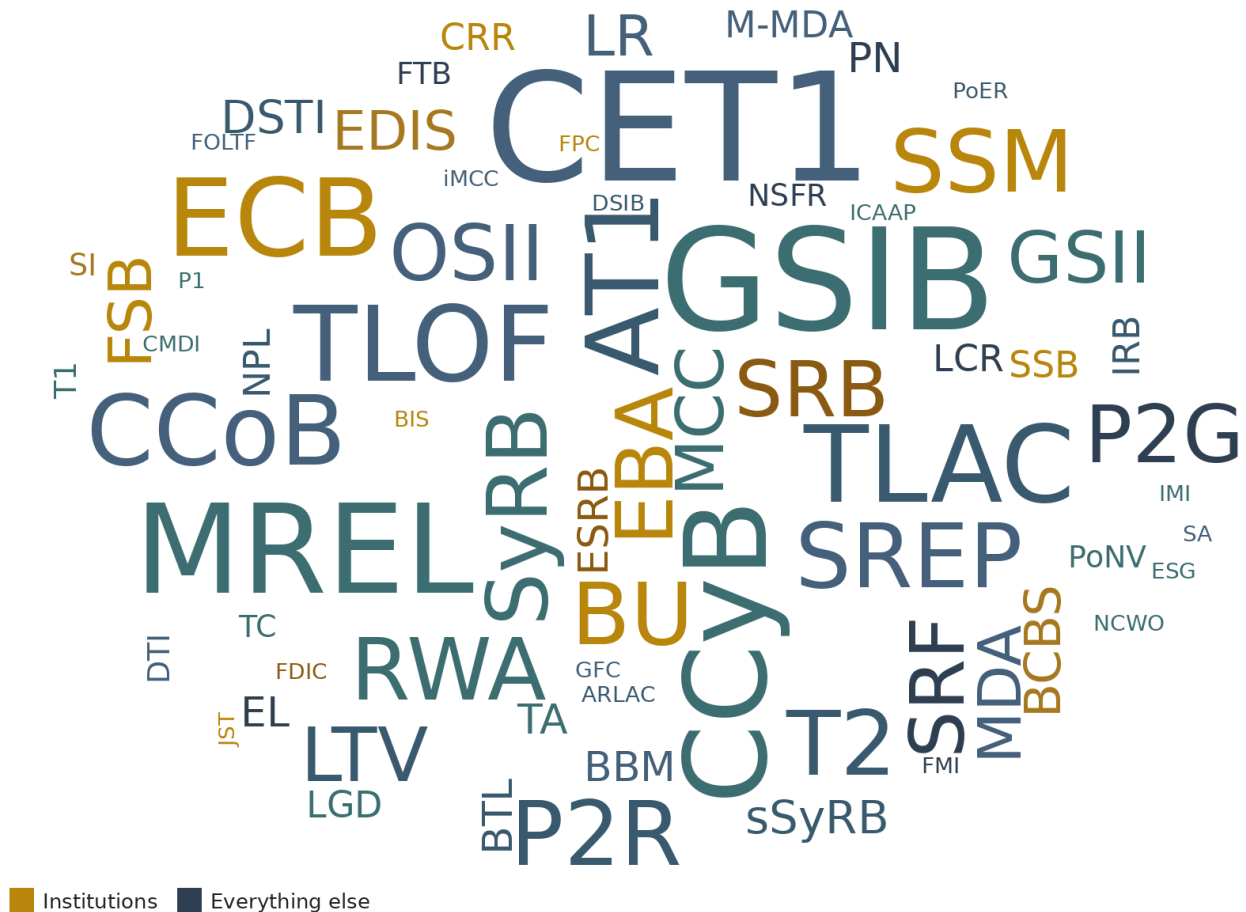
SCHOOL OF BUSINESS
AND ECONOMICS

SIMPLER AND STRONGER BANK SOLVENCY AND RESOLUTION REQUIREMENTS

Comments by
Stephen G. Cecchetti

www.moneyandbanking.com

How complex is the current system?

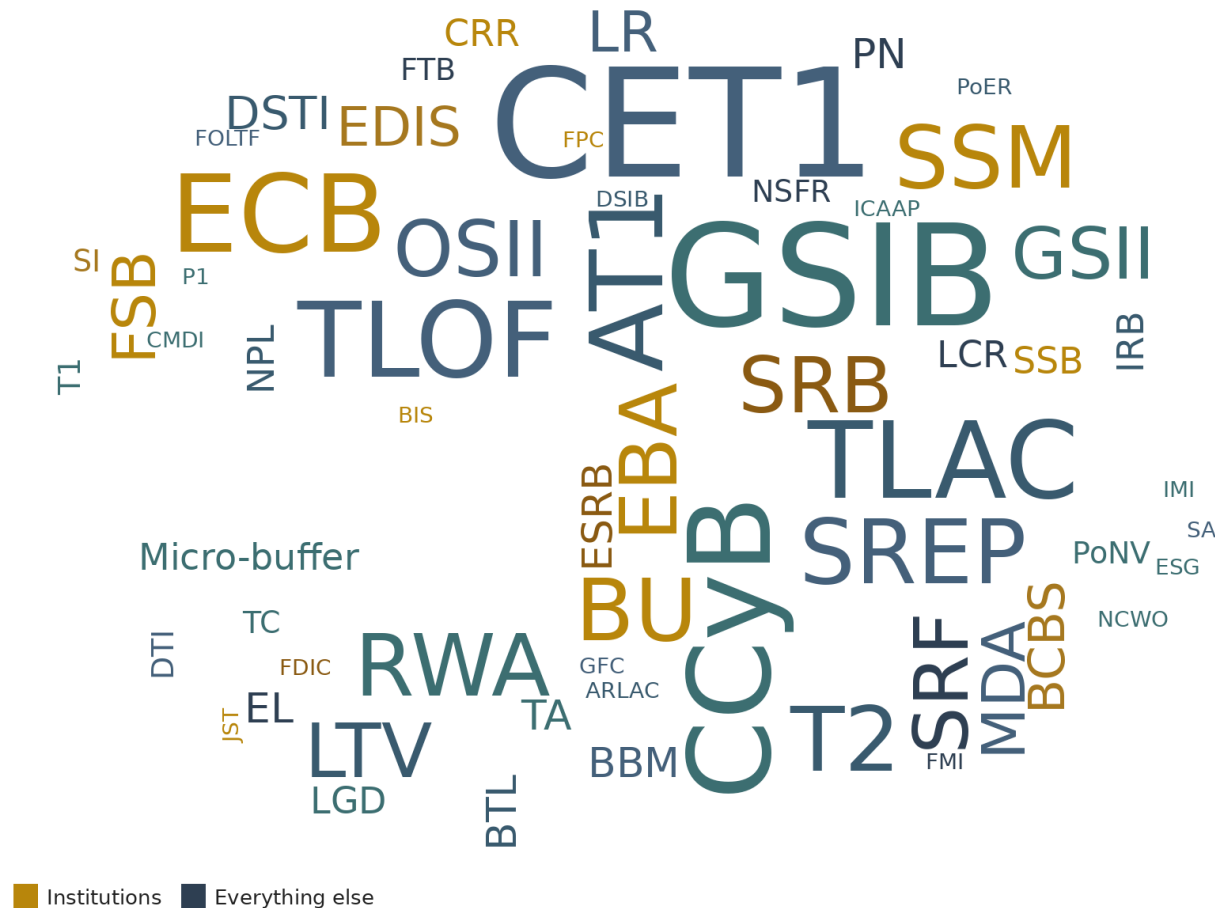


- 4 capital requirements
- 6 capital buffers
- 4 resolution requirements
- 6 resolution buffers – same 6 (plus other stuff)
- 2 liquidity requirements

Complexity is not neutral

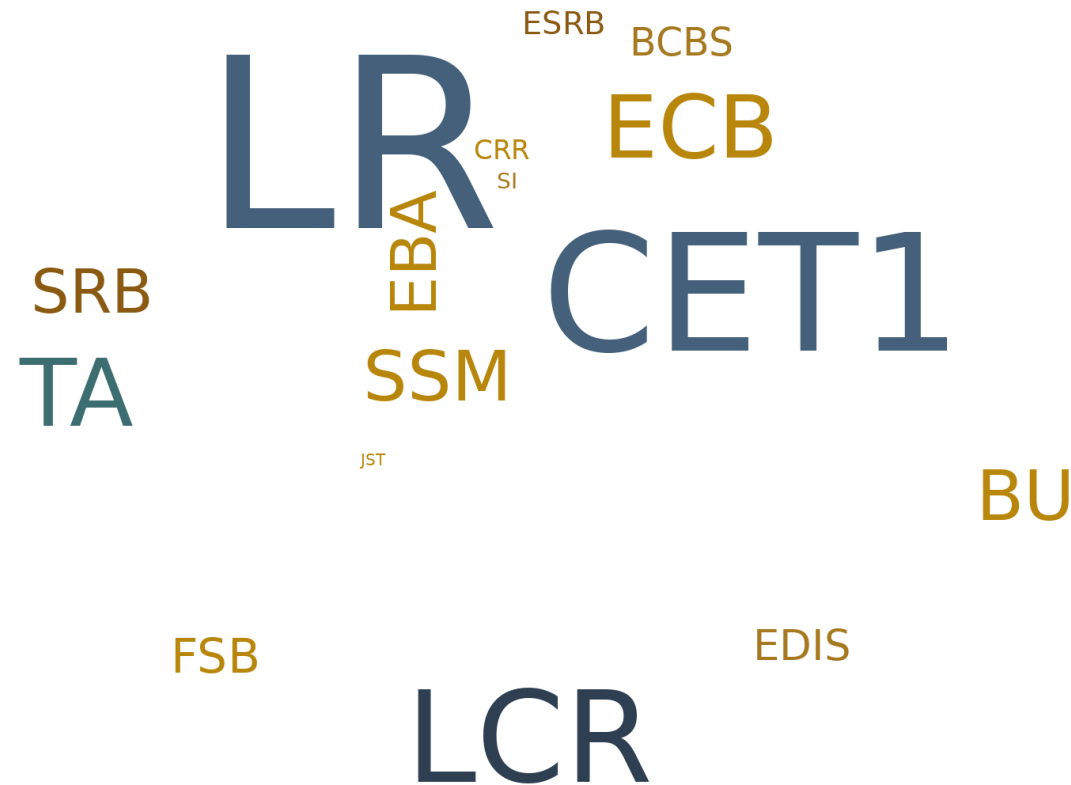
- Those that benefit
 - Large banks
 - Advisory ecosystem
- Those that pay
 - Large bank competitors
 - Investors
 - Taxpayers

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

■ Institutions ■ Everything else

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



Brandeis

SCHOOL OF BUSINESS
AND ECONOMICS

SIMPLER AND STRONGER BANK SOLVENCY AND RESOLUTION REQUIREMENTS

Comments by
Stephen Cecchetti

www.moneyandbanking.com