



## *Regulatory Reform: Have we got what we want?*

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# Regulatory Reform: Have we got what we want?

- Some say the better question is: Have we got what we *need*?
  - Will the global regulatory framework enhance financial stability?
- Was the Basel Committee sufficiently ambitious?
  - Leverage ratio
  - Calibration of capital requirements
  - CET1 capital (and the sin bucket)
  - Simplifying the regulatory framework

# Regulatory Reform: Have we got what we want?

- My (tentative, qualified) answer: Yes
- Basel framework is:
  - A negotiated compromise
  - A *minimum* requirement
- Why a qualified “yes”?
  - Still need to implement in a full, timely and consistent manner
  - Regulation per se not enough: need supervision, strong risk management, good governance, robust accounting and audit, etc

## What else is needed? A comprehensive framework

- More work needed on:
  - Fundamental review of the trading book (FRTB)
  - Treatment of sovereigns
  - Regulatory treatment of accounting provisions (IFRS 9/CECL)
  - Measures to ensure the rules are operational, implementable, "supervisable":
    - Responses to FAQs
    - Technical amendments

## What else is needed? Evidence-based assessment

- Given the significance of changes, the following actions are warranted:
  - Cost-benefits analysis (eg BCBS long-term economic impact assessment)
  - Impact analysis, but based on data, research and analysis
- Analysis still a challenge (even though some standards were agreed in 2010)
  - Implementation of standards is ongoing
  - Data is improving

## What else is needed? Evidence-based assessment (cont'd)

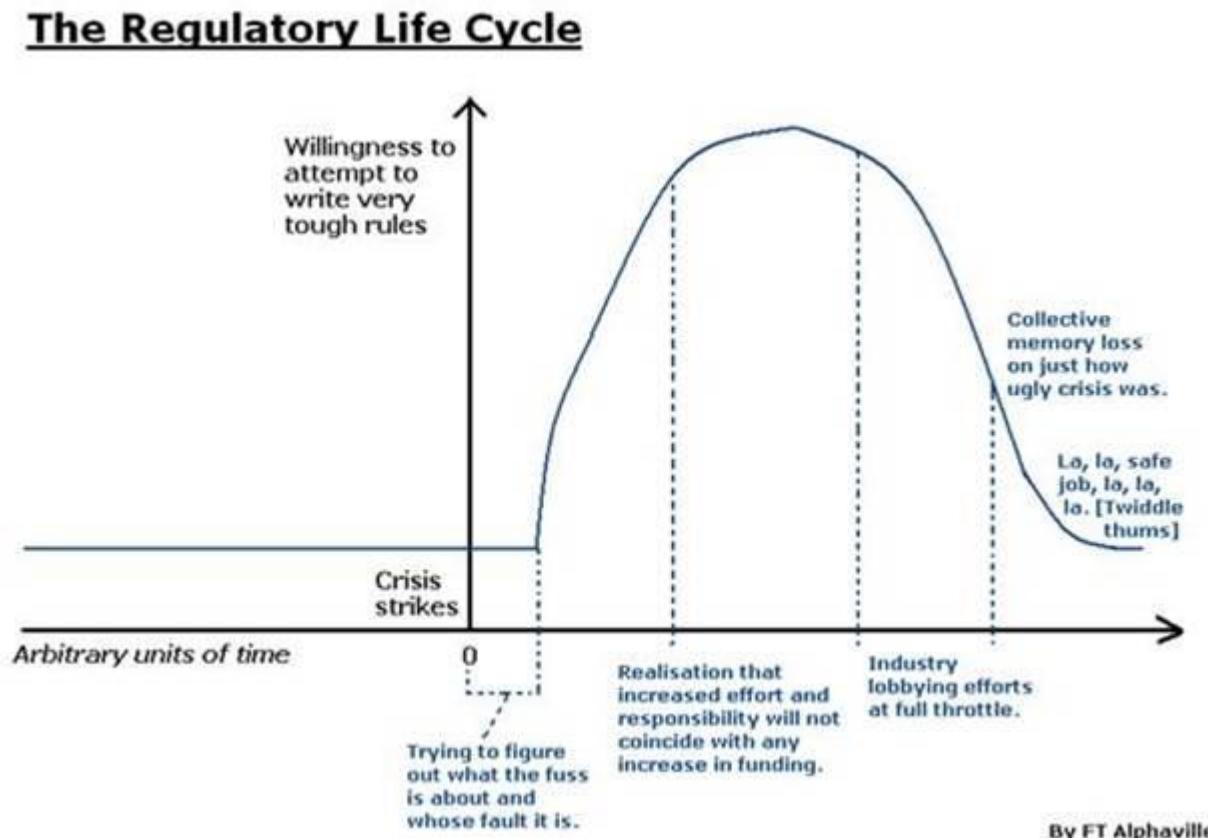
- We will seek to answer the following questions:
  - Have the reforms met their stated objectives?
  - What has been the impact?
  - Are there unintended consequences?
  - What incentives arise from the reforms? What have been the behavioral responses by banks? How are they optimising the new rules? Is there evidence of regulatory arbitrage?
- Based on this analysis, BCBS will then consider responses
  - Regulatory or supervisory

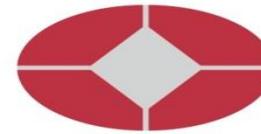
## Potential bumps in the road

- Need to implement the rules in a full, timely, consistent way
  - No dilution, no (further) delay
- Must guard against complacency
  - Especially for countries relatively unaffected by the GFC

## Potential bumps in the road (cont'd)

- Amnesia, short-sightedness when it comes to lessons learned





# Questions? Reactions? Responses?

BCBS webpage:

[www.bis.org/bcbs](http://www.bis.org/bcbs)

