Observations on Defining the Objectives and Goals of Supervision

Eric S. Rosengren
President & CEO
Federal Reserve Bank of Boston

March 18, 2016

Federal Reserve Bank of New York
New York, New York

bostonfed.org
Figure 1: Real Business Loans Outstanding at Commercial Banks

1980:Q1 - 2015:Q4

Note: Real Business Loans include Commercial and Industrial and Commercial Real Estate Loans. Real Business Loans Outstanding are adjusted for inflation using the GDP deflator.

Source: Commercial Bank Quarterly Call Reports, BEA, NBER, Haver Analytics
<table>
<thead>
<tr>
<th>Region/Country</th>
<th>Banking Organizations</th>
<th>Minimum</th>
<th>Additional Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>GSIBs</td>
<td>5%</td>
<td>2 percentage points above the 3% minimum to avoid restrictions on capital distributions and discretionary bonus payments</td>
</tr>
<tr>
<td>U.K.</td>
<td>GSIBs</td>
<td>3.35%-3.875% plus CCLB</td>
<td>Additional Leverage Ratio Buffer: 35% of corresponding risk-weighted systemic buffer rates (0.35% - 0.875% for current GSIBs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Countercyclical Leverage Ratio Buffer (CCLB): 35% of a bank's institution-specific countercyclical capital buffer rate</td>
</tr>
<tr>
<td>Eurozone</td>
<td>GSIBs</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>GSIBs</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>GSIBs</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Additional requirements for GSIBs are under discussion by the Basel Committee's Group of Central Bank Governors and Heads of Supervision (GHOS)

Source: Federal Reserve Board, Bank of England, BCBS, FNMA
Figure 3: Basel III Fully Phased-In Leverage Ratio: Average of GSIBs and Minimum Required by Region/Country

2015:Q3

Note: Japan’s average is based on leverage ratios calculated on a transitional basis. U.K. has individual minimums for GSIBs – the average of individual minimums (assuming CCLBs of 0%) is shown. Additional requirements for GSIBs are under discussion by the Basel Committee’s Group of Central Bank Governors and Heads of Supervision (GHOS).

Source: Company Financials and Investor Presentation Materials
Figure 4: Global Stock Market Indices

December 1, 2015 - March 16, 2016

Index, December 1, 2015 = 100

Source: FT, S&P, STOXX Limited, SIX Swiss Exchange, WSJ, Haver Analytics
Figure 5: Average of CDS Spread Indices of GSIBs by Region/Country

December 1, 2015 - March 16, 2016

Source: Bloomberg
Figure 6: Average of Stock Price Indices of GSIBs by Region/Country
December 1, 2015 - March 16, 2016

Source: Bloomberg