

The future of banking: next regulatory frontiers

Eva Hüpkes

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Does banking have a future?



Regulatory frontier 1: Emergence of New Technologies



Antonio Sáinz de Vicuña: An institutional theory of money

“The institutional theory of money assumes that money is merely a contractual claim, the value of which is the result of a function, performed by a separate entity independent from the state, the new central banks; whose mobilization or functionality is the result of technological means (for example, plastic cards, internet, cellular telephones) and of a legal framework that ensures its safe use; and whose availability is ensured by central banks in the context of their liquidity management.”

Regulatory frontier 2: Mitigating shadow banking risks

FSB Report “*Strengthening Oversight and Regulation of Shadow Banking*” 29 August 2013

“*system of credit intermediation that involves entities and activities (fully or partially) outside the regular banking system.*”
(non-bank credit intermediation)

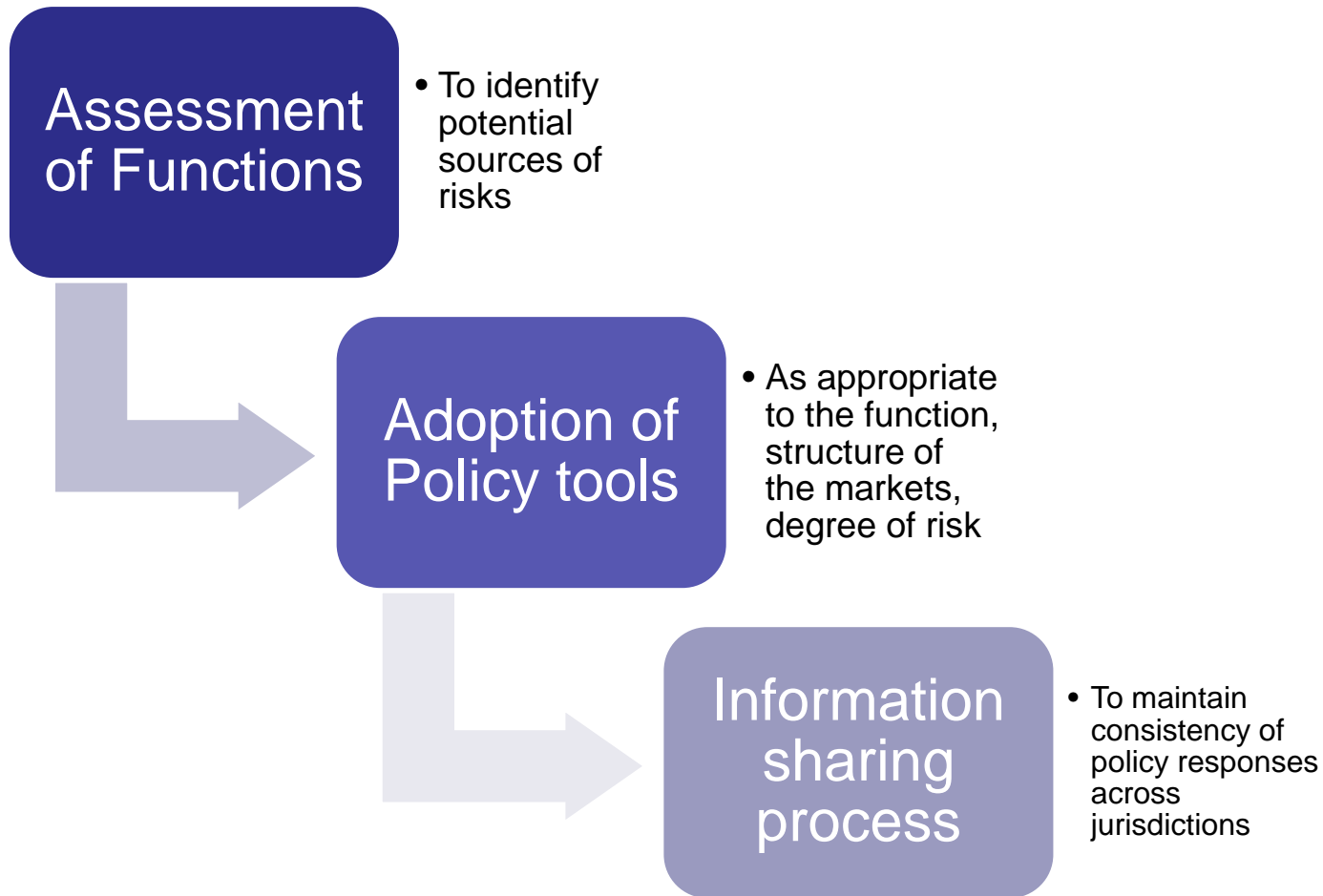
Key Risk factors

Maturity and liquidity transformation

Imperfect credit risk transfer

Leverage

A functional approach to regulation



Regulatory frontier 3: Ending “too big to fail”

FSB Policy Framework to end
“too big to fail”

2011 G20 Cannes Summit

“FSB Policy measures to address systemically important financial institutions”

“FSB Key Attributes of Effective Resolution Regimes”

Initial list of G-SIFIs

2012 G20 Los Cabos Summit

Commitment to implement policies

Updated list of G-SIFIs

2013 St Petersburg Summit
FSB Report on “Ending TBTF”

2014 Brisbane
“Completing the job”

2010 G20 Seoul Summit
“FSB Recommendations to reduce moral hazard risk of SIFIs”

Making SIFIs resolvable

Resolution regimes

- FSB Key Attributes-compliant regimes that enable authorities to resolve any type of financial institution that could be systemic if it fails without taxpayer support.

Resolution planning

- Resolution plans and cooperation agreements that ensure that authorities are prepared to implement their preferred strategy and act in a coordinated manner with their foreign counterparts.

Resolvability

- Legal, financial and operational structures and sufficient loss absorbing capacity so that the institutions can be resolved in a manner that maintains continuity of critical functions.