

Financial Sector Reform: How Far Are We?

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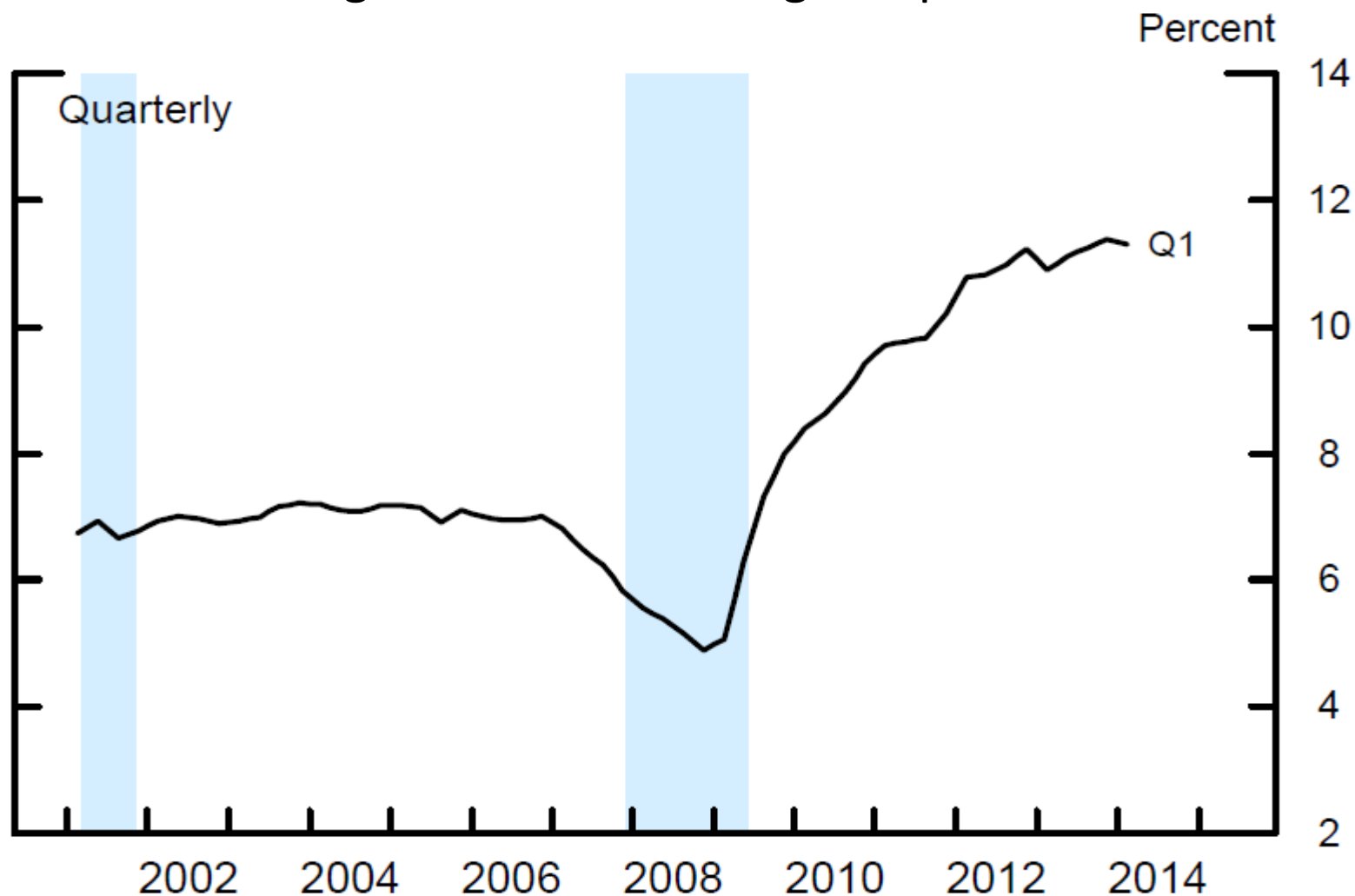
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Proposed financial sector reforms, 2008-2009

1. Strengthen the stability and robustness of financial firms, with emphasis on governance, risk management, capital, and liquidity
2. Strengthen the quality and effectiveness of prudential regulation and supervision
3. Build the capacity for undertaking effective macroprudential regulation and supervision
4. Develop suitable resolution regimes for financial institutions
5. Strengthen the infrastructure of financial markets, including markets for derivative transactions
6. Improve compensation practices in financial institutions
7. Strengthen international coordination of regulation and supervision, especially for regulation and resolution of G-SIFIs
8. Find appropriate ways of dealing with the shadow banking system
9. Improve the performance of credit rating agencies

Tier 1 Common Equity Ratio

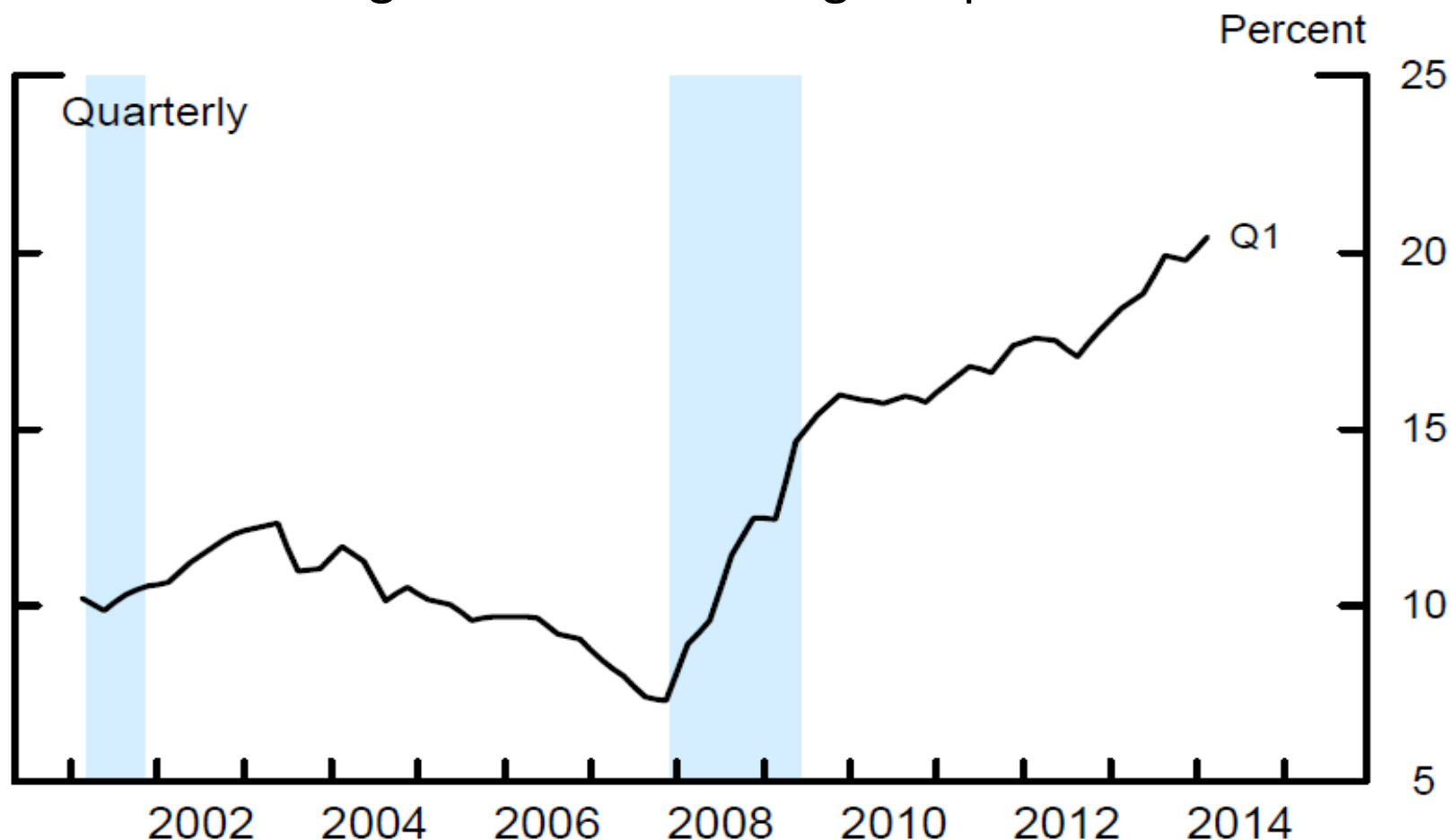
Largest 25 bank holding companies



Source: FR Y-9C.

Ratio of Liquid Assets to Total Assets

Largest 25 bank holding companies



Note: Liquid assets include U.S. Treasury securities, agency obligations and agency MBS, reserve balances deposited at the Federal Reserve, and cash. These are expressed as percent of total assets. As of 2008:Q4, the Federal Reserve started to pay interest on reserve balances.

Source: FR Y-9C and Call Reports.

Macroprudential measures, Israel, 2010-2014

- Jul. 2010 Increased provisioning against loans with high loan-to-value (LTV) ratios
- Oct. 2010 Increased capital requirements against floating rate loans with high LTV ratios
- May 2011 Limited the share of any housing financing package indexed to the short-term interest rate to one-third of the total loan
- Nov. 2012 Limited the LTV ratio in housing loans to 75 percent for first-time buyers, with tighter limits for other buyers
- Mar. 2013 Increased the risk weighting and provisioning on housing loans
- Aug. 2013 Limited the maximum payment to income (PTI) ratio of borrowers to 50 percent, with a 100 percent risk weight on loans with a PTI of more than 40 percent

Additional precautionary measures were taken in bank supervision.