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September 30, 2020

Financial Stability Board
Too Big to Fail Consultation

Dear members of the Financial Stability Board,

I am writing with a brief comment and some links to work that is highly relevant in response to the consultation report on Evaluation of the Effects of Too-Big-to-Fail reforms. I was among those who submitted this comment in June, 2019 towards the evaluation, and I was grateful to participate in an event to discuss the issues held at the Federal Reserve Bank of New York in September, 2019.

On page 95, the Consultation Report cites industry reports and two papers from 2014, including one by the Government Accountability Office (GAO) in the US about implicit guarantees. However, aside from citing my disagreement with the conclusion that TBTF is largely solved, the report does not examine the actual analysis in those papers. I am not familiar with all of them, but I had an opportunity to examine the GAO report and to testify in a hearing of the relevant US Senate subcommittee about the topic. Information and a video recording of the hearing is available here and my own submitted testimony is linked here. The appendices to this document include Chapter 9 of the book I coauthored with Martin Hellwig, The Bankers' New Clothes: What's Wrong with Banking and What to Do about It," which discusses many of the issues your Committee has been dealing with, such as resolution and implicit subsidies, as well as a document debunking flawed claims about capital regulations, which Martin Hellwig and I have revised multiple times since 201. The latest version, which discusses 34 distinct claims, some directly relevant to your work, is available here. For more on the topic of excessive leverage and risk in

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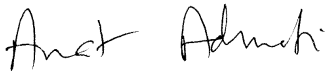
banking, see this website, and particularly the additional commentary on TBTF (to which I should have added my June 2019 comment letter to you, posted within this page that includes as well additional highly related comment letters and policy papers).

I hope you find these additional material useful as you prepare your final report. I continue to believe strongly that reforms have not addressed the TBTF problem adequately and that there is much more we can do.

Please do not hesitate to contact me by email (admati@stanford.gsb) if I can be of further help.

Sincerely yours,



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