From: Beck, Thorsten <XXXXXXXX@city.ac.uk>

Sent: 16 July 2020 12:55

To: Financial Stability Board (FSB), Service <fsb@fsb.org>

Subject: Comments on Too-Big-To-Fail evaluation

Dear Madam/Sir,

Below please find some comments for your consideration:

1. I am a bit surprised that the issue of progress in cross-border supervisory cooperation (including of G-SIBs) is not featured more prominently. In my work with Consuelo Silva-Buston and Wolf Wagner, we show a positive relationship of cross-border supervisory cooperation and bank stability (though not for G-SIBs) and that presence of G-SIBs in two countries increases the likelihood of these countries to cooperate (in different forms). The example of Nordic-Baltic countries is certainly a good example as well, with the first college being established for Nordea and increasingly intensive cooperation over the past 20 years.

2. In terms of effects of G-SIB status on lending, please find attached a paper by my former colleague Hans Degryse that might be worthwhile including in the literature list. In this context, it might also be useful to make reference to the literature that considers bank reactions to be included as SI in the banking union (obviously not the same, but many SIs are either G-SIBs or D-SIBs) – I have a paper on that as well, that shows that SIs become more conservative, but it is not in the public domain yet.

3. I think it would be important to stress that the ultimate jury on TBTF reforms is still out, given that no G-SIB has failed and/or has had to be resolved. Obviously, this might change after the current crisis. Having said this, there are obvious two parts to this: one, reducing likelihood of failure (and higher capital buffers might be in favour of this argument) and, two, reducing negative externalities from a G-SIB failure (and this part has not been experienced yet).

4. I noted in the comments from the workshop that the issue of bail-in vs. bail-out was discussed. I would like to see a more prominent discussion in the main text. You are certainly aware of my recent WP with Isabel on this issue and I think there are many who would argue that an exogenous shock like COVID-19 does not imply moral hazard concerns on a potential bail-out (let's just call it differently ☺). This also links to the discussion on who holds bail-inable debt – it seems there are some segments of the financial sector (asset managers and insurance companies) that might be exposed (as pointed out in the report), which makes a broad bail-in during a systemic banking crisis even more damaging. Anyway, it might be good to address this issue.

5. Concerning the discussion on the market share of European G-SIBs – could one argue that the banking union and the push towards a single banking market in the euro area/EU has led to an increase in mergers (both cross-border but also domestically) and therefore a higher share of G-SIBs?

Thank you and kind regards,

Thorsten Beck