From: Viral Acharya <XXXXXX@stern.nyu.edu>

Sent: 10 July 2020 13:07

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

Subject: Feedback on TBTF Report

Dear Claudia - the report is EXCELLENT overall. Congratulations again!
While it may be somewhat outside the immediate scope of the report,
it might be useful to acknowledge and highlight that historically, the
problem of financial sector risk-taking and build-up of leverage and
imbalances has been one of regulatory arbitrage. If regulators and
supervisors take care of a part of the system's incentives, then the
problem simply switches over somewhere else as long as the deeper
undercurrents for leveraging are present. In the case of TBTF/SIFI
reforms, this might mean risk-taking by smaller banks, but perhaps
more importantly, by shadow banks such as hedge funds, broker-dealers,
private equity, and even insurance firms. So in the end, we should view
the important and necessary measures to address the TBTF problem
as part of an overall systemic approach to containing leverage and
risk-taking at the expense of taxpayers in the financial sector as a whole.
The COVID outbreak and the response of the Federal Reserve in supporting
bond markets is a case in point.

Of course, this is a theme FSB has championed all along and I thought
it could be nice to acknowledge it upfront in the Report's Summary as well
as with an encore as the Report ends.

All the best with the report and I hope it gets all the attention and adoption
it deserves. Take care. Be safe.

Best wishes and regards,

Viral