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# Tapping the Brakes: Are Less Active Markets Safer and Better for the Economy?

Federal Reserve Bank of Atlanta

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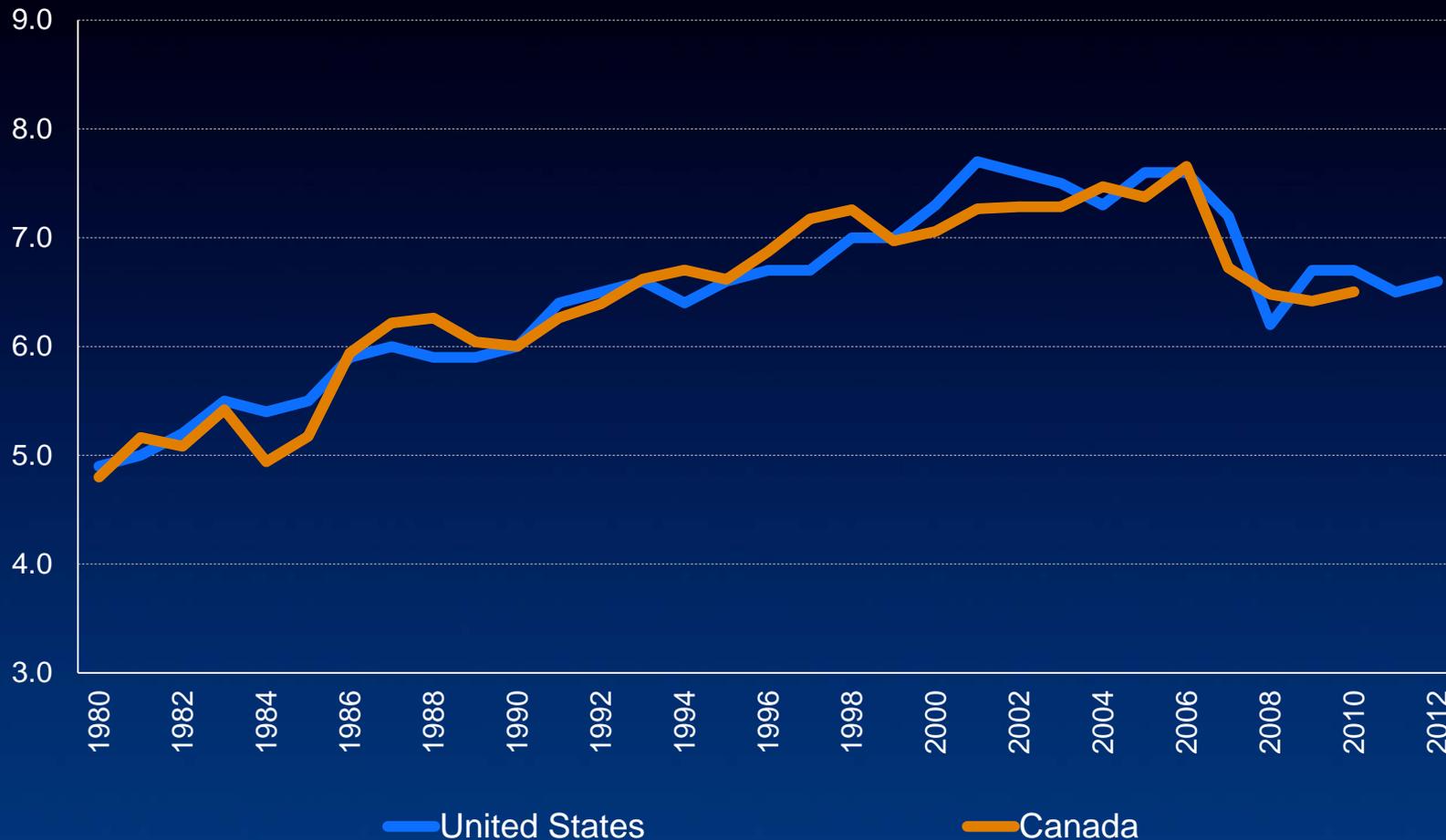
# Three Key Questions

- 1. Is the US financial sector “too big”?**
- 2. Is financial innovation harmful?**
- 3. Should we put the brakes on growth of financial activity or slow the pace of financial innovation?**

# US and Canadian Financial Services Sectors as Share of GDP

## Finance and Insurance as a percentage of GDP

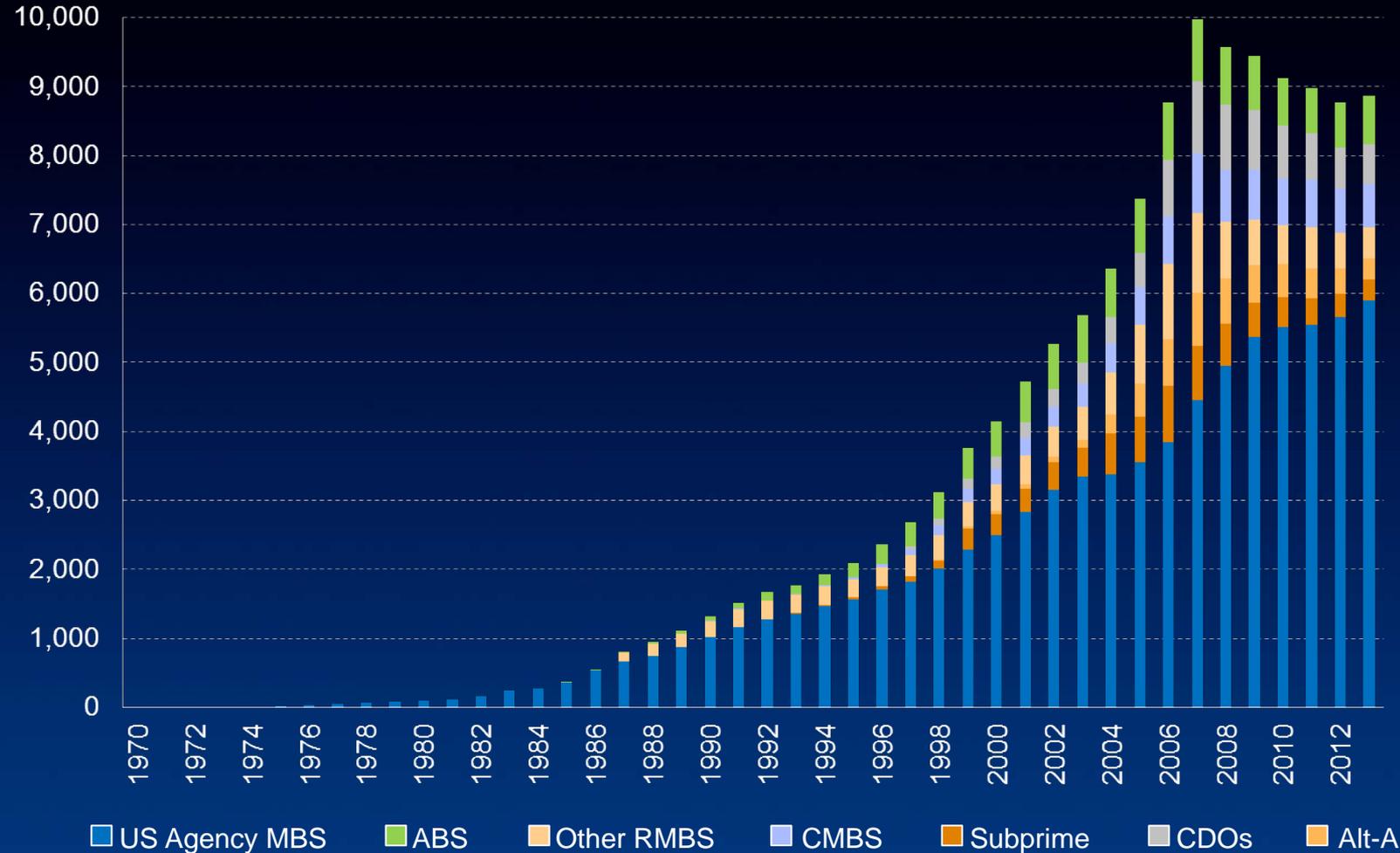
(Percentage)



Source: Bureau of Economic Analysis, Statistics Canada

# US Securitizations Outstanding by Asset Class

(in \$BN)



Source: Securities Industry and Financial Markets Association

## Do We Need Additional Brakes?

- **Major policy responses since the Financial Crisis:**
  - **Stress Testing (i.e., SCAP, CCAR)**
  - **Basel 2.5**
  - **Basel 3**
  - **G-SIB Buffer**
  - **Supplementary Leverage Ratio**
  - **Liquidity Regulation (i.e., LCR, NSFR, CLAR)**
  - **Large Exposure Limits (i.e., SCCL)**
  - **DFA 165 Enhanced Prudential Standards for Risk Management**
  - **OTC Derivatives Clearing**
  - **Money Market Reform**
  - **Recovery and Resolution Planning: Living Wills**