

Federal Reserve Bank of Atlanta

Publications related to Too-big-to-fail

By Larry D. Wall

Notes from the Vault

Ending Too Big to Fail: Lessons from Continental Illinois

Larry D. Wall
April 2016

Some analysts have recently called for structural changes to the banking industry to end too big to fail. This post looks back at the 1984 TBTF treatment of Continental Illinois to see whether these structural measures would have prevented the bailout.

Using Market Information for Fail-Safe Supervisory Triggers

Larry D. Wall
October 2015

The use of market information to trigger supervisory intervention has been proposed as a way of alleviating concerns about supervisory forbearance. This post discusses potential problems with using market information and methods to mitigate those problems.

Large, Complex Financial Regulation

Larry D. Wall
August 2015

A common complaint about the Dodd-Frank Act is that it is too long and creates so many new legal requirements. This post offers a theory on why financial regulatory legislation tends to be lengthy, and it draws implications for development of financial regulatory policy.

Breaking Down Geographic Barriers on Banks: U.S. and EU Recent Experiences

Maria J. Nieto and Larry D. Wall
July 2015

The integration of a banking system across state boundaries impacts the bank system's soundness and efficiency. This post discusses progress towards such integration in the United States and European Union and how that progress affected their respective responses to the financial crisis.

Who Will Be Central to the Financial System?

Larry D. Wall
April 2015

Will commercial banks remain central to the financial system? If banks become less important, should macroprudential policy focus on shadow banks? This post summarizes the discussion of these issues at the Atlanta Fed's recent Financial Markets Conference.

The Change in the FDIC Assessment Base

Larry D. Wall
March 2015

The Dodd-Frank Act mandates a shift in the FDIC assessment base that moves more of the costs of deposit insurance onto the largest banks. This post analyzes the merits of that shift.

Nonbank Financial Firms and Financial Stability

Larry D. Wall
November 2014

The financial crisis highlighted that distress at nonbank financial firms can have a negative impact on financial stability. A recent conference hosted by the Atlanta Fed provided a variety of perspectives on the topic.

Bail-in Debt: Will the Supervisors Pull the Trigger in Time?

Larry D. Wall
August 2014

The United States and the European Union are planning on using bail-in debt to help reduce taxpayer exposure to systemically important financial institutions. This post discusses the importance of timely resolution for this approach to be effective.

Simple Concept, Complex Regulation

Larry D. Wall
January 2014

Simple regulatory concepts often result in long, complex regulations. The reason why that happens has important implications for the future of prudential regulation.

Basel III and Stress Tests

Larry D. Wall
December 2013

The United States is now committed to the use of two complex and relatively costly measures of capital adequacy: Basel III and stress tests. As currently designed, stress tests could mitigate weaknesses in Basel III's measures of capital and credit risk.

Supervising Bank Compensation Policies

Larry D. Wall
November 2013

Even bankers agree that the compensation structure in the financial services industry was one of the causes of the financial crisis. A recent conference at the Atlanta Fed considered various aspects of banks' compensation policies and regulatory guidance.

SIFI Failure versus Financial System Failure

Larry D. Wall
September 2013

The Financial Stability Oversight Council's recent designation of two nonbank firms as SIFIs likely reduces the expected cost of their failure. However, reducing the expected cost of financial system failure will require a broader focus.

Lessons from the Housing GSEs for Resolving Too Big to Fail

Larry D. Wall

May 2013

Fannie Mae and Freddie Mac are back in the headlines, their future under debate. Here are three important lessons these GSEs can provide to policymakers seeking to end too big to fail.

Too Big to Fail: No Simple Solutions

Larry D. Wall

April 2010

[HTML](#) | [PDF](#)

- "Too big to fail" policies are not about bank size per se but rather about the impact of financial firms' failure on financial stability and the real economy.
- Abolishing all government authority to engage in too big to fail policies may only delay bailouts in the event of major financial instability that affects the real economy.
- Critical stumbling blocks to the true elimination of too big to fail policies include the problems of resolving cross-border financial groups and dealing with the too-many-to-fail problem.

Economic Review

["Too Big to Fail after FDICIA"](#) Federal Reserve Bank of Atlanta, *Economic Review* 95, no. 1 (2010), pp. 1–16.

["Reforming Deposit Insurance and FDICIA."](#) Federal Reserve Bank of Atlanta *Economic Review* (First Quarter 2002), pp. 1–16 (with Robert A. Eisenbeis).

["Fannie Mae's and Freddie Mac's Voluntary Initiatives: Lessons from Banking."](#) Federal Reserve Bank of Atlanta *Economic Review* First Quarter 2002 (with W. Scott Frame).

Atlanta Fed Working Papers

2013-15

Measuring Capital Adequacy Supervisory Stress Tests in a Basel World

Larry D. Wall

December 2013

[Abstract](#) | [Full text in PDF](#)

2013-14

The Adoption of Stress Testing: Why the Basel Capital Measures Were Not Enough

Larry D. Wall

December 2013

[Abstract](#) | [Full text in PDF](#)

2010-9

Prudential Discipline for Financial Firms: Micro, Macro, and Market Structures

Larry D. Wall

March 2010

[Abstract](#) | [Full text in PDF](#)

2007-9

Multiple Safety Net Regulators and Agency Problems in the European Union: Is Prompt Corrective Action Partly the Solution?

David G. Mayes, María J. Nieto, and Larry Wall

May 2007

[Abstract](#) | [Full text in PDF](#)

2006-27

Preconditions for a Successful Implementation of Supervisors' Prompt Corrective Action: Is There a Case for a Banking Standard in the European Union?

María J. Nieto and Larry D. Wall

December 2006

[Abstract](#) | [Full text in PDF](#)

2006-2

An Analysis of the Systemic Risks Posed by Fannie Mae and Freddie Mac and an Evaluation of the Policy Options for Reducing Those Risks

Robert A. Eisenbeis, W. Scott Frame, and Larry D. Wall

March 2006

[Abstract](#) | [Full text in PDF](#)

2006-27

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Robert A. Eisenbeis, W. Scott Frame, and Larry D. Wall
March 2006
[Abstract](#) | [Full text in PDF](#)

2002-18

Subordinated Debt and Prompt Corrective Regulatory Action
Douglas D. Evanoff and Larry D. Wall
August 2002
[Abstract](#) | [Full text in PDF \(115 KB\)](#)

2001-25

Measures of the Riskiness of Banking Organizations: Subordinated Debt Yields, Risk-Based Capital, and Examination Ratings
Douglas D. Evanoff and Larry D. Wall
November 2001
[Abstract](#) | [Full text in PDF \(141 KB\)](#)

2001-11

Sub-Debt Yield Spreads as Bank Risk Measures
Douglas D. Evanoff and Larry D. Wall
May 2001
[Abstract](#) | [Full text in PDF \(228 KB\)](#)

2000-24

Subordinated Debt and Bank Capital Reform
Douglas D. Evanoff and Larry D. Wall
November 2000
[Abstract](#) | [Full text in PDF \(253 KB\)](#)

96-6

The Impact of a Dealer's Failure on OTC Derivatives Market Liquidity during Volatile Periods
Larry D. Wall, Ellis W. Tallman, and Peter A. Abken
June 1996
[Abstract](#) | [Full text in PDF](#)

Macroblog

APRIL 13, 2016

Putting the MetLife Decision into an Economic Context

DECEMBER 04, 2013

Is (Risk) Sharing Always a Virtue?