The Regulatory Cycle. Play it again Sam?

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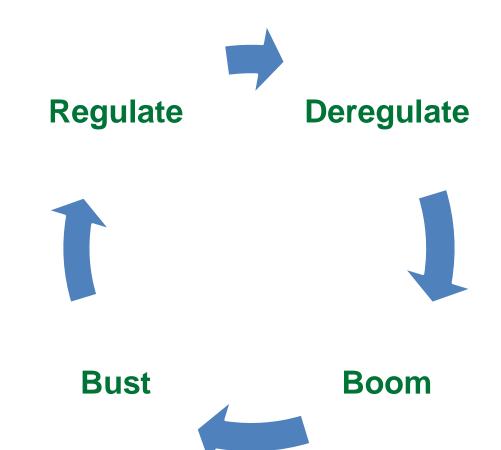
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The cycle of life

The regulatory cycle of life

JUST A NORMAL DAY AT THE NATION'S MOST IMPORTANT FINANCIAL INSTITUTION... SELL? SELL? EXCEL? EXCEL? Buy? GOOD BYE ? MADNESS!
I CAN'T TAKE GOOD BYE! GOT A



Long cycle

Glass Steagall (1933) Gramm-Leah-Bliley (1999) Volcker Rule (2010)

...also with long maturing problems

Regulation Q (GS, 1933)

Development of MMF in 70's

CNAV MMF "Break the Buck" (2008) Repeal of Regulation Q (2010)

Short cycle

B II Internal Models (US Driven) B III Better Higher Capital (US Driven)

B IV Limits to Internal Models (US Driven)

Where are we?

Complexity

AIRB, AQR, AT1, BCBS, BRRD, BSR, CEBS,CDR/CRR IV,CET1,CMU,COCOS, COREP, DGS, DSIB, DTA, EAD, EBA, ECL, EDIS, EL, EIOPA, ESAs, ESMA, ESRB, FINREP, GSIB, HFT, ICAAP, ILAAP, IRB, IS, ITS, JSTs, LGD, LTECL, LR, LCR, LSIs, MDA, MPE, MREL, NCAs, NODs, NRAs, NSFR, OSIs, OTF (SOC), PD, PIT, PRIIPs, PIIR, PIIG, QIS, RAS, RTS, SEP, SMN(MFT)EMIR, SPE, STA, STS, SRB, SREP, SRF,SRM,SSM,T1,T2,TLAC,TTC,UL.

Where are we?

Not market driven: US CCAR

Going back after peak in regulation?

Maybe, but...Remember Regulation Q!

Any lessons?

Keep in mind the eternal cycle

Beware of the stability of the graveyard

Really key lesson: BEWARE OF (capital) ARBITRAGE