Financial Advisory Roundtable (FAR)
June 6, 2014

Financial Sector Evolution in the New Regulatory Environment

1. How are banks responding to the new capital and liquidity regulations?
   a. Impact on specific activities and business focus
   b. Impact on risk management and capital planning
   c. Interaction of stress testing/CCAR and new regulatory capital ratios
   d. Impact of "capital arbitrage" transactions
   e. Are there any specific trends in this area worth noting?

2. Now that the Volcker rule is final, what impact is the rule having?
   a. Shifts of activities away from banking companies
   b. Impact on risk and profitability in the banking sector
   c. Early evidence of unintended consequences?
   d. Where specifically should we expect to see an impact?

3. Are certain activities or transactions shifting outside the regulated banking sector?
   a. Have we already seen evidence of such shifts?
   b. Does this shift pose risks to financial stability?
   c. What mitigating steps could be taken to limit any risks to stability?
   d. Are there instances where activities are moving outside the banking sector, but risks are retained within?

4. How should we think about the interaction of the new requirements with monetary policy?
   a. Do the new requirements have, or could they have under certain circumstances, unintended consequences that could complicate monetary policy implementation? What are some examples?
   b. With respect to the new requirements, what are the costs and benefits of a large central bank balance sheet?
   c. What are the important trade-offs to consider when thinking of the provision of short-term safe assets by the private sector or the official sector?

5. To what extent do accounting rule changes impose further constraints on the financial sector?
   a. What will be the impact of the new accounting treatment of special purpose vehicles?
   b. How are marking to market rules, especially for level 3 assets, changing firm's behavior?
   c. Which accounting rule changes currently under consideration might have important financial stability implications going forward?