

The Interplay Between Financial Regulations, Resilience, and Growth

June 16–17, 2016



A conference sponsored by the Federal Reserve Bank of Philadelphia, the Wharton Financial Institutions Center, Imperial College Business School, and the *Journal of Financial Services Research*

The Interplay Between Financial Regulations, Resilience, and Growth Federal Reserve Bank of Philadelphia June 16–17, 2016

The recent financial crisis has shown that our understanding of the financial system and the interplay among the various financial regulations has been quite limited. Some regulatory policies and the central bank intervention have offset each other. Conflicts across policies and regulations have resulted in unintended consequences. Previous research studies have been useful, but the knowledge gap remains in determining how effective financial regulations should be designed, how financial stability and resilience should be measured, and how policy tools could be effectively used to mitigate potential threats to financial stability.

The goal of this conference is to promote discussion among participants from diverse backgrounds (e.g., academic researchers and professors, financial regulators and lawyers, industry experts from consulting firms and financial firms) about these important financial regulatory issues.

Potential discussion topics include: How should financial resilience be defined, measured, and monitored? What are the most effective policies to strengthen financial stability and resilience? Should the central bank attempt to pop an asset price or credit bubble? Should monetary policy act as a fire extinguisher or a smoke detector? What is the right combination of micro- and macroprudential policies? Looking ahead, what are the key obstacles to developing stronger policies to enhance financial stability and resilience?

Organizers:

Franklin Allen (Imperial College London and The Wharton School of the University of Pennsylvania)

Itay Goldstein (The Wharton School of the University of Pennsylvania)

Julapa Jagtiani (Federal Reserve Bank of Philadelphia)

Haluk Ünal (*Journal of Financial Services Research*)

The Interplay Between Financial Regulations, Resilience, and Growth

June 16–17, 2016



A conference sponsored by the Federal Reserve Bank of Philadelphia, the Wharton Financial Institutions Center, Imperial College Business School, and the *Journal of Financial Services Research*

The Interplay Between Financial Regulations, Resilience, and Growth Federal Reserve Bank of Philadelphia June 16–17, 2016

Thursday, June 16

12:00 noon–1:00 p.m. Registration

1:00 p.m.–1:15 p.m. **Welcome and Opening Remarks**

William G. Spaniel (Senior Vice President, FRB Philadelphia)

Introduced by Julapa Jagtiani (Special Advisor, FRB Philadelphia)

1:15 p.m.–2:00 p.m. **Keynote Speech**

Richard Berner (Director, Office of Financial Research)

Introduced by William Spaniel (Senior Vice President, FRB Philadelphia)

2:00 p.m.–2:15 p.m. Coffee Break

2:15 p.m.–4:00 p.m.

Session 1

Strengthening Financial Regulations, Stability, and Resilience — Part 1

Moderator: **Julapa Jagtiani** (Special Advisor, FRB Philadelphia)

“Prudential Financial Regulations That Work”

Presenter:

Charles W. Calomiris (Henry Kaufman Professor of Financial Institutions, Columbia Business School)

Commentator:

Aaron Klein (Policy Director, Brookings Institution)

“Goal Conflicts and Financial Stability”

Presenters:

Robert A. Eisenbeis (Vice Chairman and Chief Monetary Economist, Cumberland Advisors), **Larry Wall** (Executive Director, Center for Financial Innovation and Stability, FRB Atlanta), and **Simon Kwan** (Group Vice President, FRB Cleveland)

Commentators:

Ron Feldman (Executive Vice President, FRB Minneapolis)

Sandra Lawson (Managing Director, Goldman Sachs)

4:00 p.m.–4:30 p.m. Coffee Break

4:30 p.m.–6:00 p.m.

Session 2

The Interconnection of Different Regulations — Lessons Learned

Moderator: **Paul Calem** (Vice President, FRB Philadelphia)

“Investor Flows and Fragility in Corporate Bond Funds”

Itay Goldstein (Joel S. Ehrenkranz Family Professor, The Wharton School of the University of Pennsylvania)

“Do Bank Bailouts Reduce or Increase Systemic Risk? The Effects of TARP on Financial System Stability”

Allen Berger (H. Montague Osteen Jr., Professor in Banking and Finance, University of South Carolina) with **Raluca Roman** (Economist, FRB Kansas City) and **John Sedunov** (Assistant Professor of Finance, Villanova University)

“Network Hazard and Bailouts”

Selman Erol (Ph.D. Candidate, The Wharton School of the University of Pennsylvania)

“The Leveraged Loan Market and Covenant-Lite Lending”

Mitchell Berlin (Vice President, FRB Philadelphia)

6:00 p.m.–7:30 p.m. Cocktail Reception

Music by “The Instrumental Variables” (band members include Allen Berger, Mindy Ring, John Sedunov, and Greg Udell)

7:30 p.m.–9:00 p.m. Speaker Dinner

Friday, June 17

7:45 a.m.–8:30 a.m. Continental Breakfast

8:30 a.m.–10:00 a.m.

Session 3

Financial Regulations and Economic Growth

Moderator: **Haluk Ünal** (Professor of Finance, University of Maryland; Special Advisor to the Center for Financial Research, Federal Deposit Insurance Corporation (FDIC); and Managing Editor, *Journal of Financial Services Research (JFSR)*)

“Counter-cyclical Macroprudential Policy Tools: Some Thoughts on Efficacy and Unintended Consequences”

Greg Udell (Chase Chair of Banking and Finance, Indiana University Bloomington)

“A Heuristic View of Evolving Capital and Liquidity Standards”

Christine M. Cumming (former First Vice President and Chief Operating Officer, FRB New York)

“Does Going Easy on Distressed Banks Help the Macroeconomy?”

Sean Hundtofte (Yale University and FRB New York)

“The Effect of Monetary Policy on Bank Wholesale Funding”

Dong Beom Choi (Financial Economist, FRB New York)

10:00 a.m.–10:15 a.m. Coffee Break

10:15 a.m.–11:00 a.m. **A Conversation with Patrick Harker**

Patrick T. Harker (President and Chief Executive Officer, FRB Philadelphia)

Introduced by: **Franklin Allen** (Imperial College London and The Wharton School of the University of Pennsylvania)

Moderator: **Steve Sherretta** (Senior Managing Editor, Knowledge@Wharton)

11:00 a.m.–11:15 a.m. Coffee Break

11:15 a.m.–1:15 p.m.

Session 4 **Strengthening Financial Regulations, Stability, and Resilience — Part 2**

Moderator: **Jack Reidhill** (Associate Director, Center for Financial Research, FDIC)

“The Interplay Between Regulations and Financial Stability”

Presenter:

Franklin Allen (Executive Director, Brevan Howard Centre for Financial Analysis, Imperial College London, and Codirector, Wharton Financial Institutions Center)

Commentator:

Joe Peek (Vice President and Economist, FRB Boston)

“Financial Stability and the Resolution of Federal Reserve Goal and Implementation Conflicts”

Presenter:

Richard J. Herring (Jacob Safra Professor of International Banking, The Wharton School of the University of Pennsylvania, and Founding Director, Wharton Financial Institutions Center)

Commentator:

Joseph Hughes (Professor of Economics, Rutgers University)

“Ethics *Versus* Ethos in US and UK Megabanking”

Presenter:

Edward Kane (Professor of Finance, Boston College)

Commentator:

Mark Carey (Associate Director, Federal Reserve Board)

1:15 p.m.–2:30 p.m. Lunch

2:30 p.m.–4:10 p.m.

Session 5

Panel Discussion: How Do Digital Innovators, Lenders, and a Networked Economy Impact Financial Stability and Resilience?

Moderator: **Charles Taylor** (Executive Fellow, Office of Financial Research)

“Challenges and Opportunities in the New Financial Landscape”

Julapa Jagtiani (Special Advisor, FRB Philadelphia) and **Cathy Lemieux** (Executive Vice President, FRB Chicago)

Richard H. Neiman (Head of Regulatory and Government Affairs, Lending Club)

Jason Henrichs (Cofounder, FinTEch Chicago)

Tony G. Werner (Executive Vice President and Chief Technology Officer, Comcast Cable)

Gary Stern (President, Stern Partners LLC, and former President and Chief Executive Officer, FRB Minneapolis)

4:10 p.m.–4:30 p.m. **Closing Remarks and Message on *JFSR* Special Issue**

Franklin Allen (Imperial College London and The Wharton School of the University of Pennsylvania)

Itay Goldstein (The Wharton School of the University of Pennsylvania)

Julapa Jagtiani (FRB Philadelphia)

Haluk Ünal (*JFSR*)