



SIFMA/TCH Prudential Regulation Conference

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Introductory Remarks and Introduction of Adam Gilbert

As prepared for delivery

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Good morning. I'm Ken Bentsen, President and CEO of SIFMA. It's a pleasure to be here.

I'd like to thank everyone for joining us here today at our 3rd Annual Prudential Regulation Conference. SIFMA is pleased to once again partner with The Clearing House as we continue to navigate through and finalize the implementation of Dodd-Frank and other prudential rulemakings. I'd like to recognize The Clearing House's John Court and the staff at The Clearing House as well as my colleague Carter McDowell and the SIFMA staff for collaborating once again on this important event. Your hard work on this important topic has helped this conference grow in popularity over the last three years to the point that this year, we are at full capacity and have a waiting list of attendees.

I'd also like to recognize our event sponsors, specifically our Platinum Sponsor Deloitte, and our Gold Sponsors Ernst & Young and PricewaterhouseCoopers. Finally, I'd like to give a very special thanks and recognition to our friends at Covington and Burling for hosting us today in their spectacular, new office space here at City Center.

Without all of your support, this event would not be possible.

This year our conference roughly coincides with the fifth anniversary of the Dodd-Frank Act, which as you know introduced a host of rules to enhance prudential supervision of financial institutions and improve oversight of the entire financial system. After five years, some regulations have been enacted, while others remain outstanding. There are still questions to be answered and discussions to be had.

That is why each year we choose to hold this conference in Washington. We want all of you to be part of the conversation. As you look around the room you'll see a mix of industry leaders, regulators, senior staff from Congress and the Administration, experts from think tanks, and representatives from G-20 embassies. Our goal was to bring all of these stakeholders together in one room in order to create a dialogue on the critical policy issues that have been implemented and those that are currently being considered or proposed. So, we hope you will use the Q&A, lunch, and reception to fully engage on the topics at hand.

Over the last five years since Dodd-Frank has been enacted, we have come a long way as the industry has fundamentally reshaped itself into one that is safer, sounder, and more resilient.

While the entirety of Dodd-Frank and other new regulations are not yet complete, the primary portions of the law—Titles I and II—are either in place or well developed.

Capital levels have more than doubled to \$1.1 trillion from 2009 to the end of 2014, and could reach four times the pre-crisis levels. Additionally the quality of the capital has also increased. Liquidity is now twice as high as pre-crisis levels and could reach three times the pre-crisis levels once rules are finalized. Leverage ratios have been cut in half, and firms have tightened underwriting standards and moved large portions of the derivatives markets into clearinghouses and exchanges.

Dodd-Frank has also subjected financial institutions to heightened prudential standards like streamlined corporate structures, single counterparty credit limits, more and better risk management, more Board oversight of management, and more transparency and disclosure of compliance, legal and regulatory risks. Banks are now subject to stress tests. In fact earlier this year in March, the Fed ruled all 31 banks subjected to a stress test have sufficient capital to absorb losses – the first time since the tests started in 2009. With these reforms the US is well on the way of establishing a resolution regime to end too-big-to-fail, and our partners in Europe and Asia are addressing similar challenges.

Today we will discuss many of the reforms that have taken place in the prudential regulatory space and the path forward. In doing so, I would urge policy makers not to lose sight of what has already been implemented and to consider the consequences of the aggregate impact of these rules, including the related costs and the way the new rules will work, or may not work, with one another.

Another key theme that should resonate today is the international dimension: the importance of global standard setting, how those standards are interpreted in individual jurisdictions as well as the need for ongoing international dialogue more generally. In the US we have seen a pattern of our regulators gold-plating new regulations, which could harm our efforts to achieve global harmonization. SIFMA's work here in the US goes hand-in-hand with our efforts through the Global Financial Markets Association and we are using that platform to strongly urge regulators to ensure that rules across markets are coherent and compatible and avoid market fragmentation.

While we have come a long way in the seven years since the crisis, we must be careful not to tip the scales too far, but instead strike a balance that works. If we overreach, the negative consequences on the flow of capital and economic growth could be substantial.

Some have interpreted our raising of these concerns as an attempt by the financial services industry to forestall regulation, but this public narrative is not borne out in the capital and liquidity measures or the new rules, policies and procedures that have been enacted.

No matter how one wishes to characterize it, the facts are clear that the industry has spent considerable effort to implement, operationalize and comply with the new rules. And, regulators continue to formulate new rules while re-calibrating existing ones. So just as it is undeniable that capital standards and liquidity measures have changed, and financial services firms are subject to increasingly new robust regulatory regimes, it is also important that regulators consider the impact and interaction or coordination of such rules.

The notice and comment process is an important function in the crafting of rules and regulators have been solicitous in this regard, , but regulators should take stock of the aggregate impact of those rules implemented before embarking on a new set of rules. Furthermore, regulators

should be cautious not to allow efforts to identify and monitor systemic risk expand into an effort to “root out” risk wherever it may reside. Risk is a key component of capital markets, and prudential like regulation may not always be appropriate, such as with asset managers and other non-bank financial markets participants who are otherwise subject to stringent capital markets regulation.

Together we have made great strides in strengthening our markets and restoring confidence in our financial system. Regulators and industry have accomplished a lot, and the industry is far different today in terms of risk

Today, we’re going to dive deeper into many of these issues as we discuss what we’ve accomplished and where we’re headed in the prudential regulation. With that, I’d like to once again thank you for taking the time be here today.

It is now with great pleasure that I introduce our keynote speaker, Adam Gilbert. Adam serves as a Principal Financial Services Global Regulatory Leader at PricewaterhouseCoopers. He has almost 30 years of experience working on regulatory matters at JPMorgan Chase and the Federal Reserve Bank of New York, and brings exceptional private and public sector perspectives to the clients he serves. He has held leadership roles in market and credit risk policy, credit portfolio management, regulatory and supervisory relations, regulatory reporting, capital management and regulatory policy.

Adam has also been a member of senior committees at JPMorgan Chase on capital governance and policy, asset-liability management and reputation risk, while being an active member of numerous industry groups related to capital and liquidity, risk management and regulatory reform.

Prior to JPMorgan Chase, Adam spent 10 years at the Federal Reserve Bank of New York in roles in Bank Supervision, Credit and Discount Window and Research. During that time, Adam also was a member of the Secretariat of the Basel Committee on Banking Supervision where he worked on capital regulation and other cross-border bank supervisory issues.

Adam holds a masters degree in public policy from the Harvard Kennedy School and a BA from Tufts University.

I’d like to thank Adam and all of our distinguished speakers and panelists joining us today. Ladies and gentlemen, Adam Gilbert.