

Sustainable banking: What did we learn from the crisis?



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What is...

... a bank:

- An institution whose current operations consist in granting loans and receiving deposits from the public.

... a bank doing:

- Offering access to a payments system.
- Transforming assets.
- Managing risks.
- Processing information and monitoring borrowers.

... sustainable:

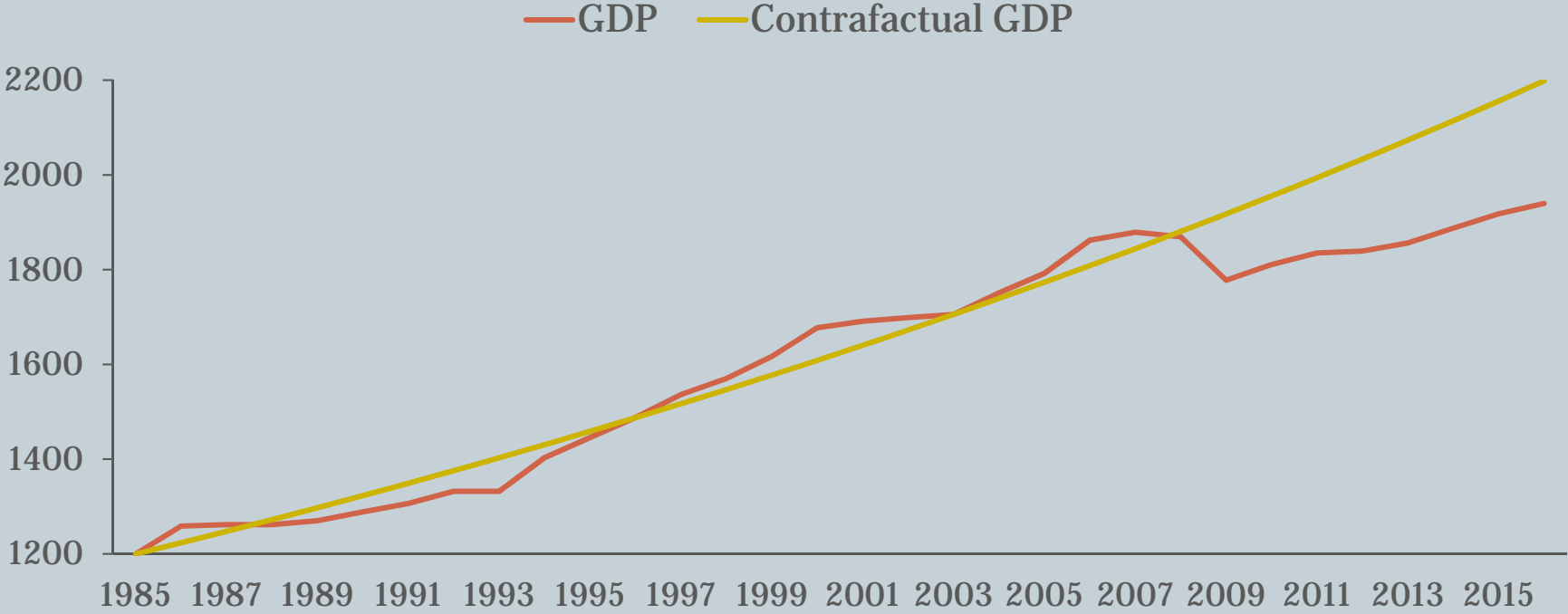
- Able to be maintained at a certain rate or level.
- Able to be upheld or defended

Lessons from the crises



- **Too much risk taking in the financial sector.**
- **Banks were not robust enough.**
- **Banks were saved.**

Consequences when banking activities are not sustainable



Lessons from the crises



Observations

- Too much risk taking in the financial sector.
- Banks were not robust enough.
- Banks were saved.

Actions

- Stronger supervision.
- Banks should be more robust.
 - Liquidity requirements.
 - Capital requirements.
- Should be possible to unwind a bank.
 - Resolution requirements.

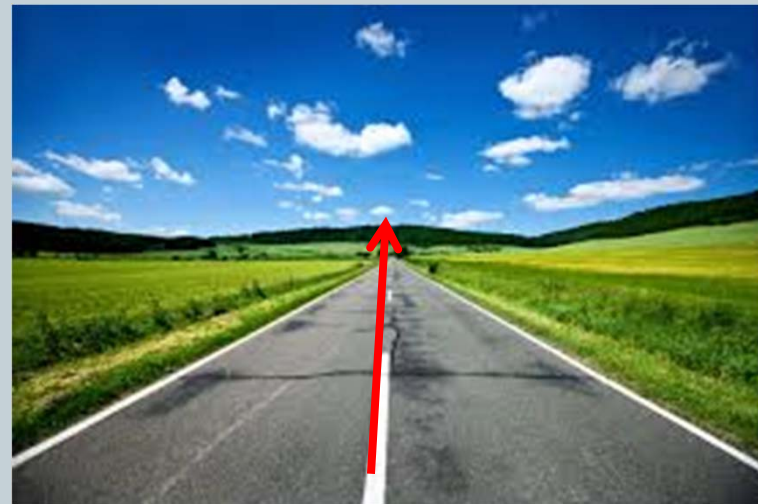
Pendulum in financial regulation



Less fortunate



Reasonable



So, a sustainable banking system is one where:



- Banks support economic activity by performing their key functions in a sustainable way.
- Banks earn a reasonable amount of money.
- Banks do not take on too much risk.
- Regulation does not hinder banks performing their key functions but secures a certain level of robustness, given risk taking in banks.