Federal Financial Analytics, Inc.

New Study Finds Big-Bank Post-Crisis Bill Rises 102%

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Federal Financial Analytics, Inc. today released the findings of a quantitative study of the costs borne by the six largest U.S. banking organizations since the financial crisis. Costs that can be determined through public data totaled at least $70.2 billion at the end of 2013, an increase of $35.5 billion from year-end 2007 or 102 percent.

"No matter how right a rule may be, its costs matter," said Karen Shaw Petrou, managing partner of Federal Financial Analytics and the study's principal author. "Costs may well be necessary to secure financial stability, but bank management must nevertheless strategically adapt to them. This can significantly change product pricing and availability, competitiveness, and the transfer of certain activities from banks to less-regulated institutions that do not bear comparable costs," she continued.

U.S. banking organizations analyzed in this study are Bank of America, JPMorgan Chase, Citigroup, Wells Fargo, Morgan Stanley, and Goldman Sachs. Specifically, the study quantified the cost of new capital regulations, interchange-fee restrictions, higher FDIC deposit-insurance premiums, and supervisory-assessment fees. By far the largest cost factor is the new regulatory-capital requirements, which are assessed without regard to the new big-bank supplementary leverage charge, the potential impact of stress-test related capital, and surcharges for the largest banks because these rules are pending. The liquidity rules in the wake of the crisis may well also prove very costly, but costs cannot be estimated due to the incomplete nature of the U.S. rules and the lack of public, comparable data for each studied banking organization.

As discussed in detail in the study, many other post-crisis rules are likely also to have significant cost impact. However, because these rules are not finalized, public data on them are not available, or large banks have stated that the rules will have little cost impact, this study does not attempt to quantify them. Rules that may also have significant qualitative implications for the largest banking organizations (e.g., pending demands that the biggest banks be readily resolvable through bankruptcy) are also not factored into the dollar totals noted above.

Results are analyzed without differentiating changes in capital, liquidity, or other standards a bank would have made of its own accord to ensure prudent practice or meet market demand in the wake of the crisis.

To discuss this study with Ms. Petrou or for further information, reply by return e-mail or call Arezou Rafikian or Tish Thomas at 202-589-0880.

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Federal Financial Analytics, Inc. is a proprietary think tank providing analytical and advisory services on legislative, regulatory, and public-policy issues affecting global financial-services companies. Since 1985, the firm's practice has been a unique blend of strategic advice and policy analysis, serving as a thought leadership resource for boards of directors and senior management seeking a forward looking assessment of risks, opportunities, governance, and other matters critical to success. Clients also include senior regulators and policy-makers around the globe, who rely on the firm's objectivity for confidential forecasts of the market impact of actions under consideration.