Federal Reserve
Bank of Boston®

Financial Stability and Regulatory Policy in a Low Interest-Rate Environment

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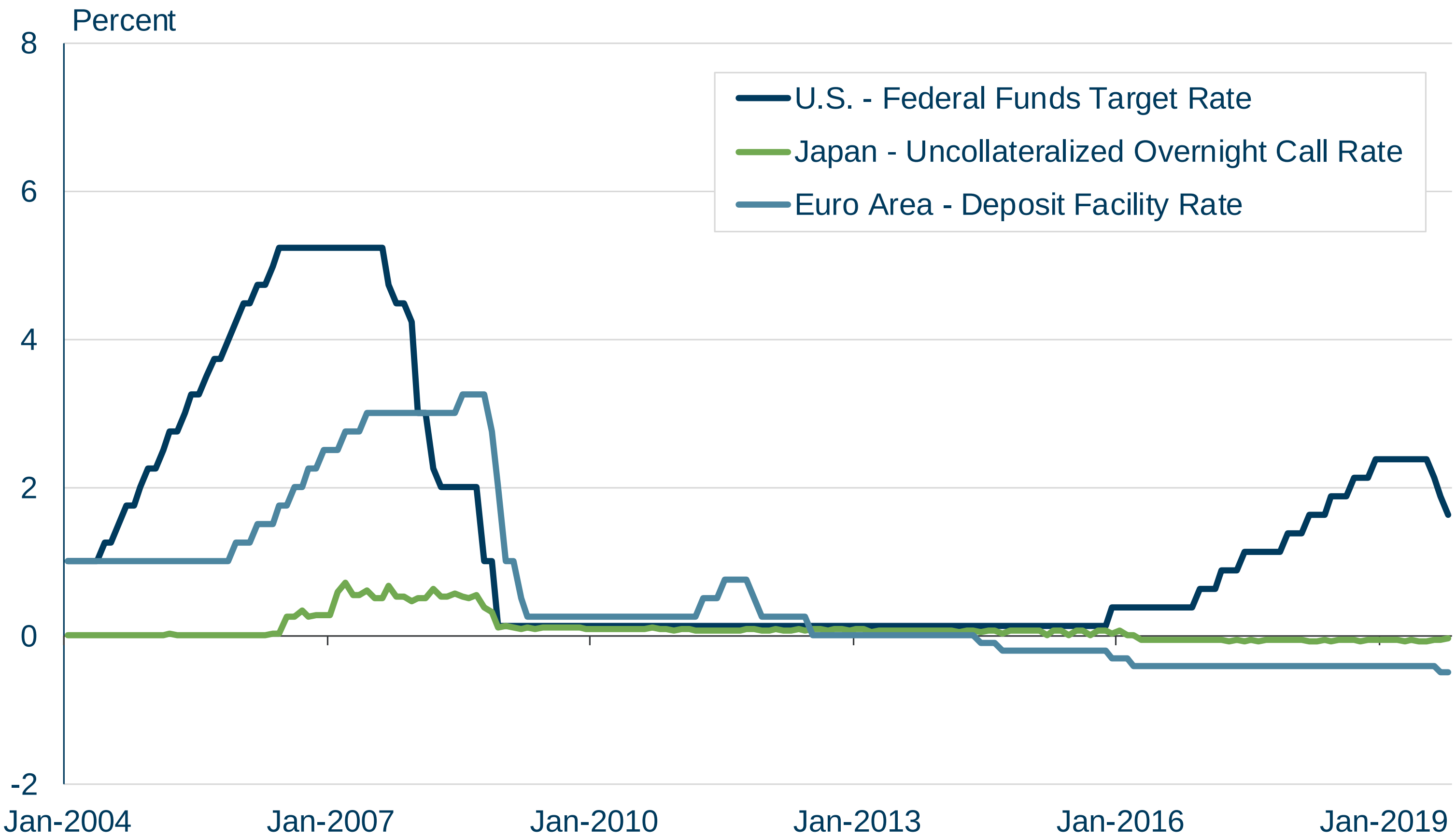
November 11, 2019

Norges Bank and IBEFA Workshop
Oslo, Norway

Figure 1: Overnight/Policy Rates for the Euro Area, Japan, and the U.S.

January 2004 - October 2019

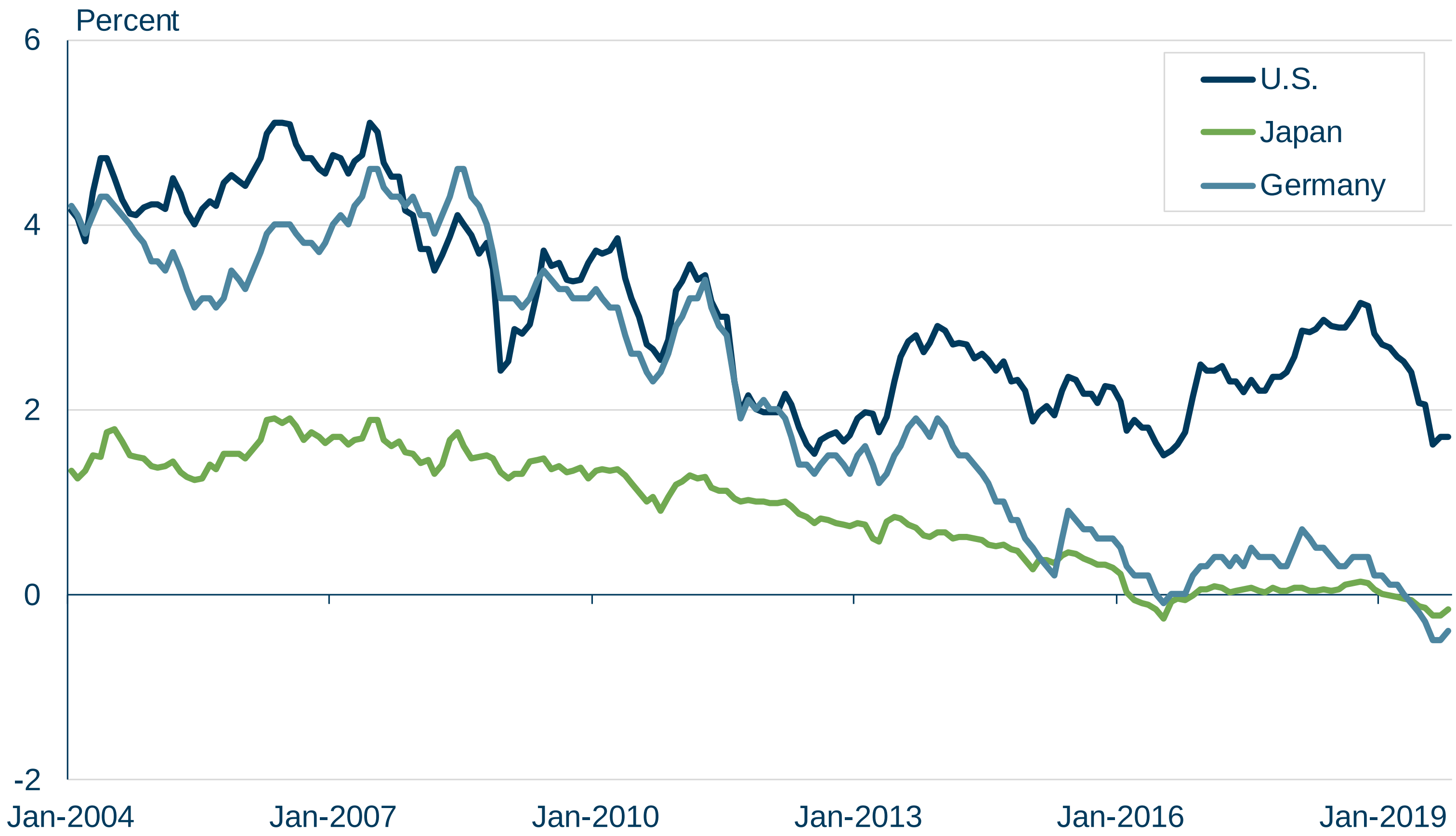


Note: Rates are as of end of period. U.S. target rate is the midpoint of the target range, beginning in December 2008.

Source: Bank of Japan, European Central Bank, Federal Reserve Board, Haver Analytics

Figure 2: Ten-Year Government Bond Yields

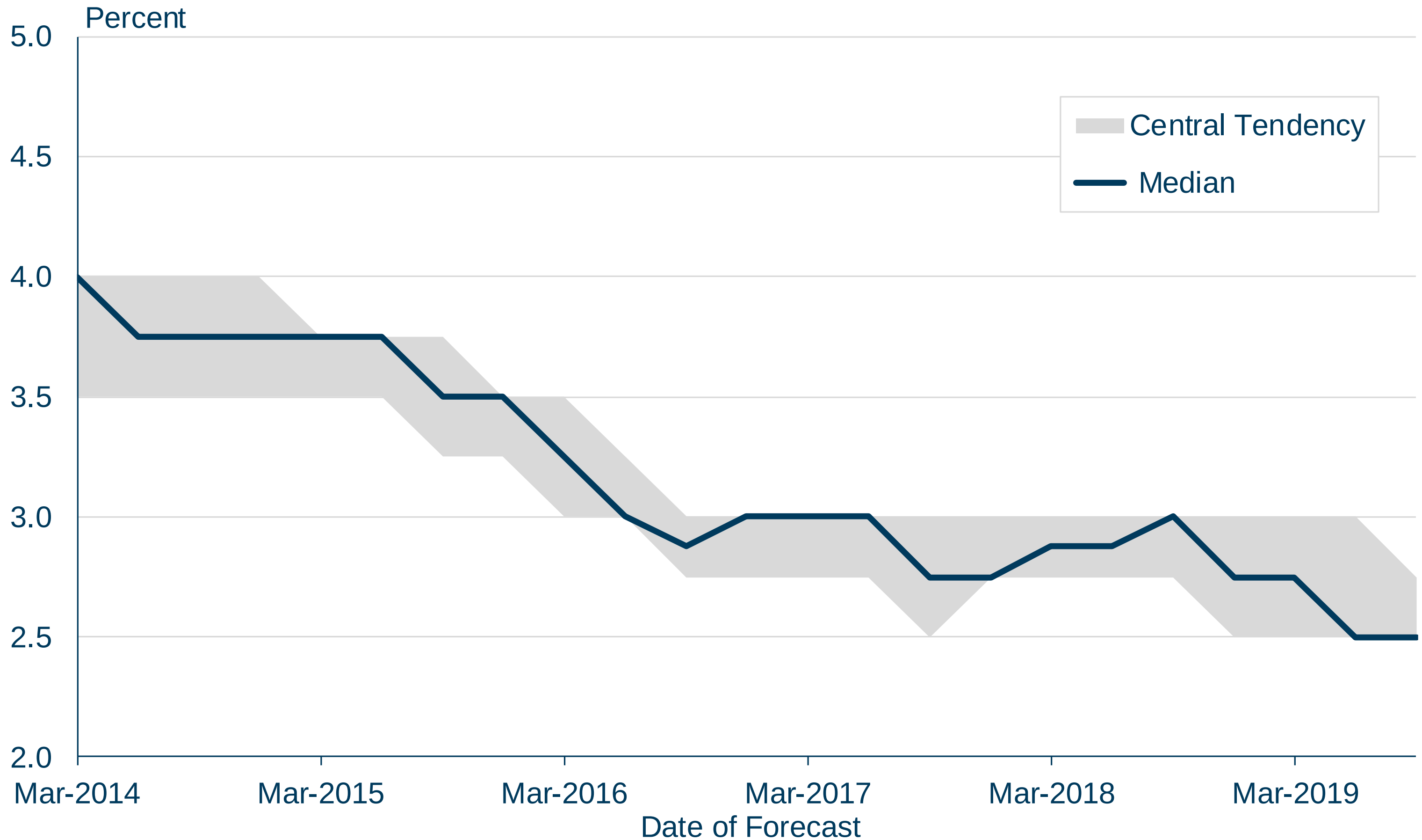
January 2004 - October 2019



Source: Deutsche Bundesbank, Federal Reserve Board, Japan's Ministry of Finance, Haver Analytics

Figure 3: Estimates for the Federal Funds Rate in the Longer Run of Federal Reserve Board Members and Federal Reserve Bank Presidents

March 2014 - September 2019

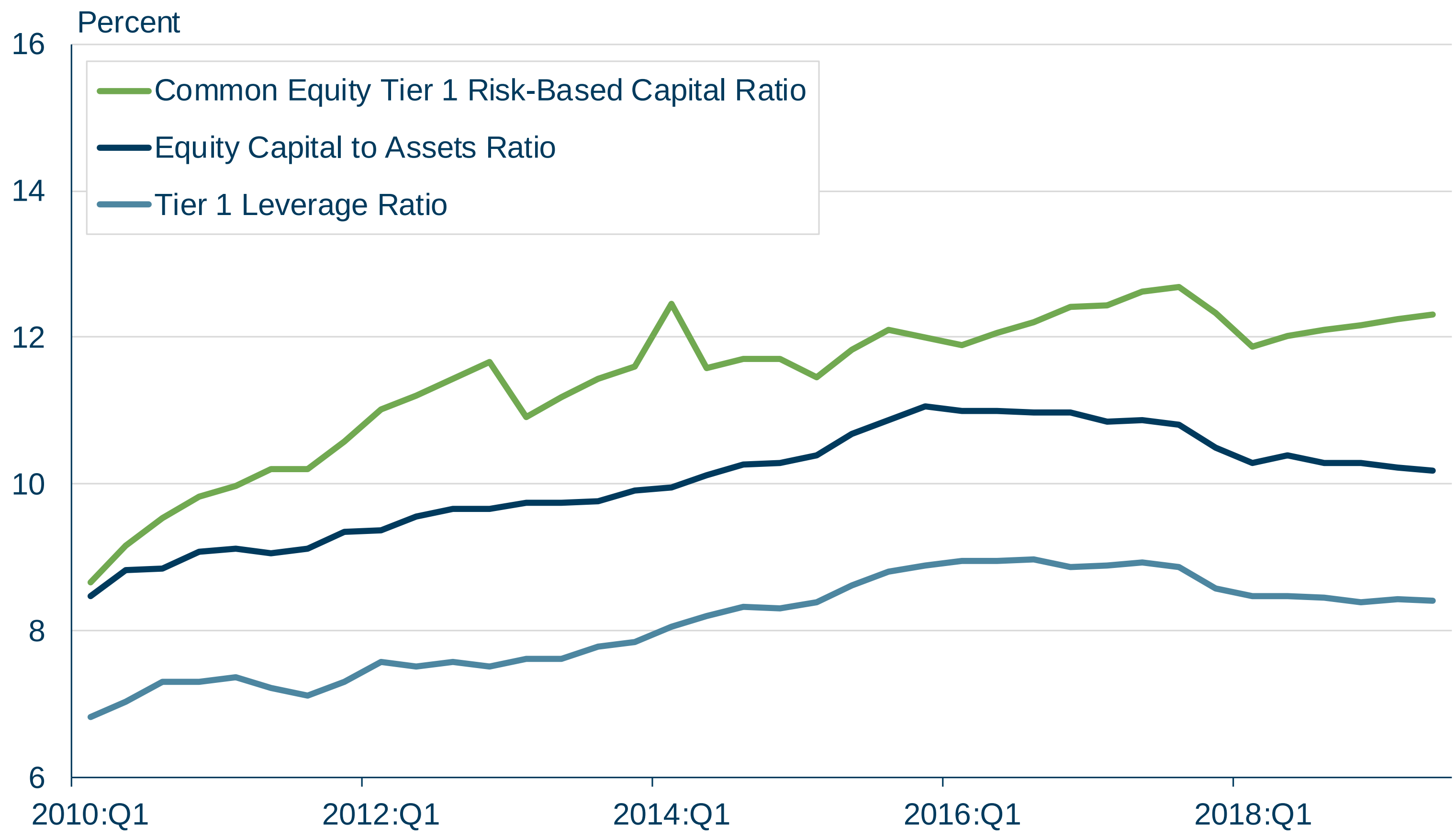


Note: The central tendency excludes the three highest and three lowest observations.

Source: FOMC, Summary of Economic Projections (SEP)

Figure 4: Capital Ratios for U.S. Global Systemically Important Bank Holding Companies

2010:Q1 - 2019:Q2

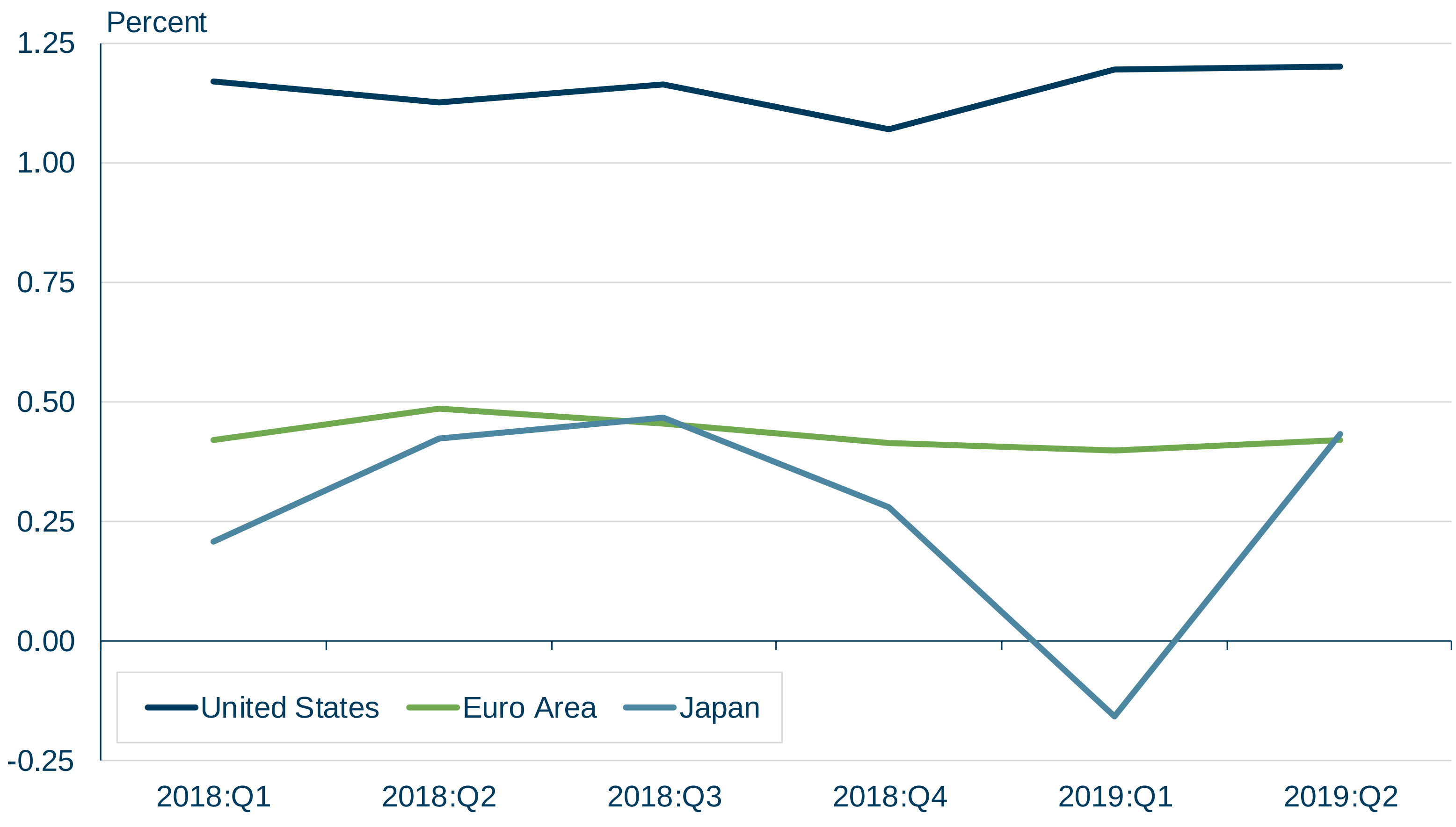


Note: There are 8 U.S. Global Systemically Important Bank Holding Companies (GSIBs). The common equity tier 1 risk-based capital ratio uses tier 1 common equity until common equity tier 1 capital is reported. As of 2014:Q2, for BHCs exiting the parallel run, the lower of the common equity tier 1 risk-based capital ratios as calculated with the standardized and advanced approaches is used. Several sharp declines in the risk-based capital ratio can be partly attributed to the implementation of new Basel capital rules.

Source: Federal Reserve Board, Consolidated Financial Statements for Holding Companies – FR Y-9C

Figure 5: Average Return on Average Assets for the Three Largest Banking Organizations

2018:Q1 - 2019:Q2

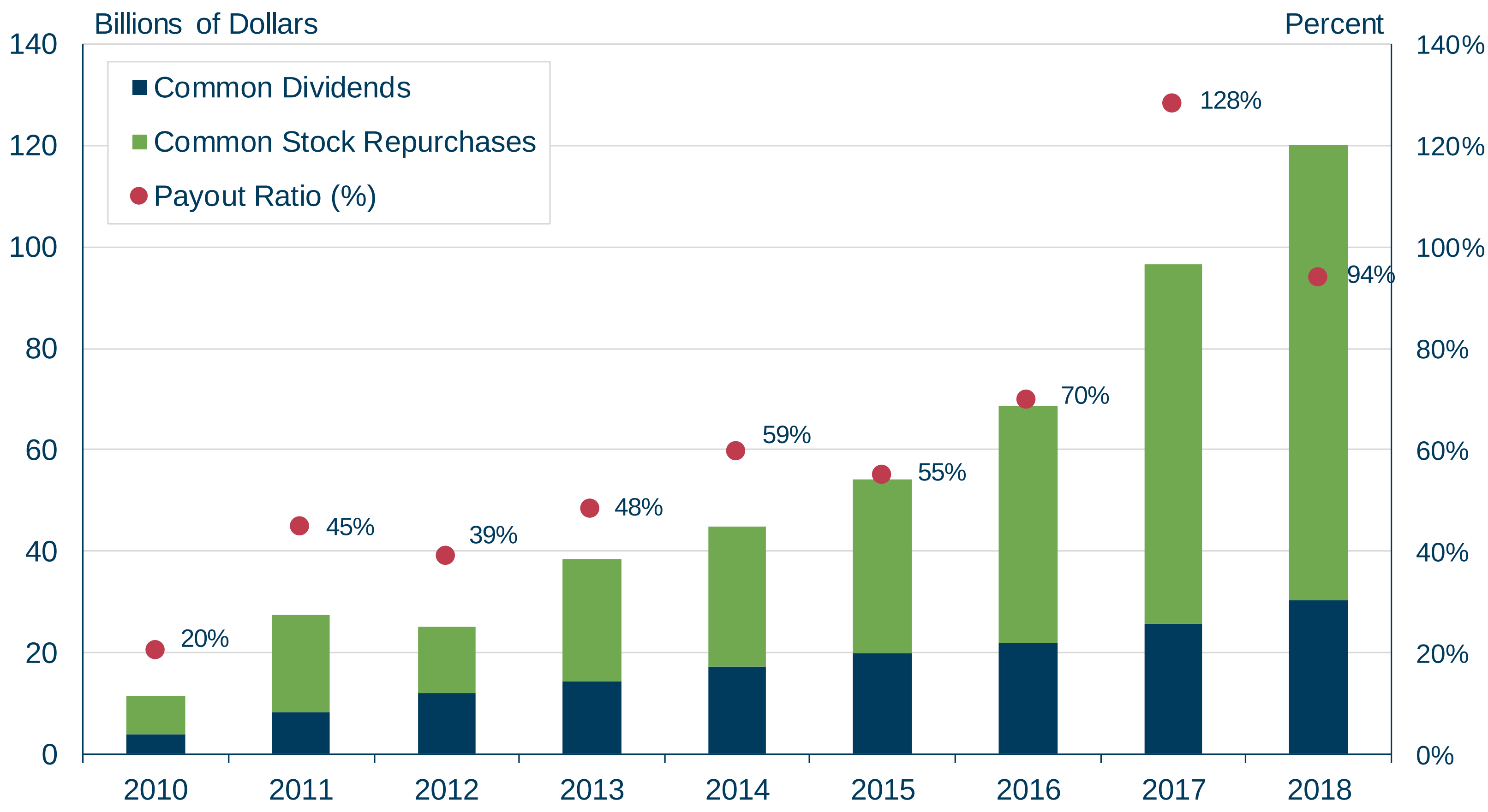


Note: The U.S. average includes Bank of America Corporation, Citigroup Inc. and JPMorgan Chase & Co. The Euro Area average includes Banco Santander, SA, BNP Paribas SA and Crédit Agricole SA. The average for Japan includes Mitsubishi UFJ Financial Group, Inc., Mizuho Financial Group, Inc. and Sumitomo Mitsui Financial Group, Inc. Japan Post Bank Co., Ltd. is excluded due to its unique postal-banking business model.

Source: S&P Global Market Intelligence, SNL Financial Data

Figure 6: Capital Return for U.S. Global Systemically Important Bank Holding Companies

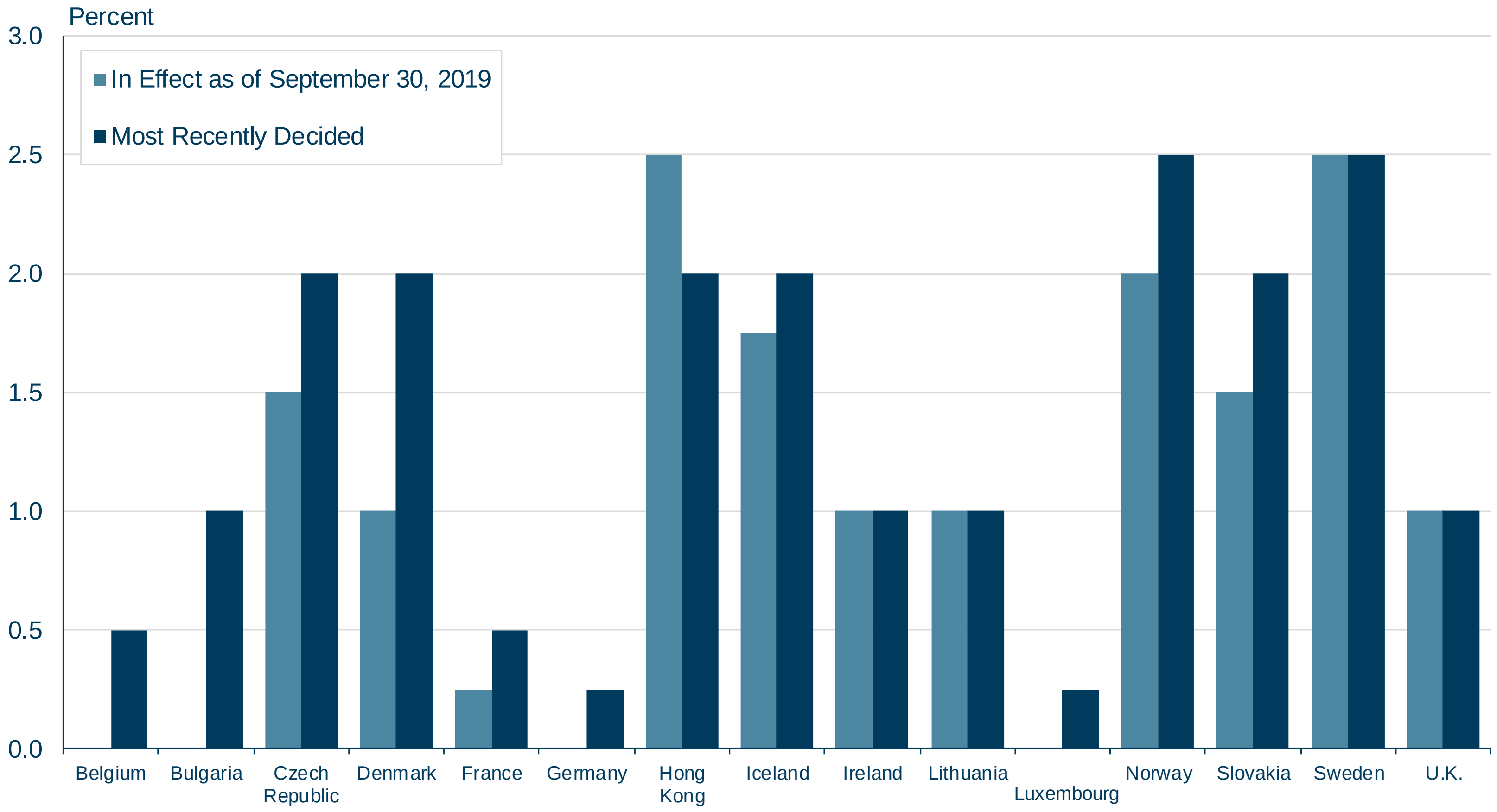
2010 - 2018



Note: There are 8 U.S. Global Systemically Important Bank Holding Companies (GSIBs). Payout ratios are calculated by dividing the sum of dividends paid and repurchases, by the net income for a given year.

Source: S&P Global Market Intelligence, SNL Financial Data; SEC Edgar

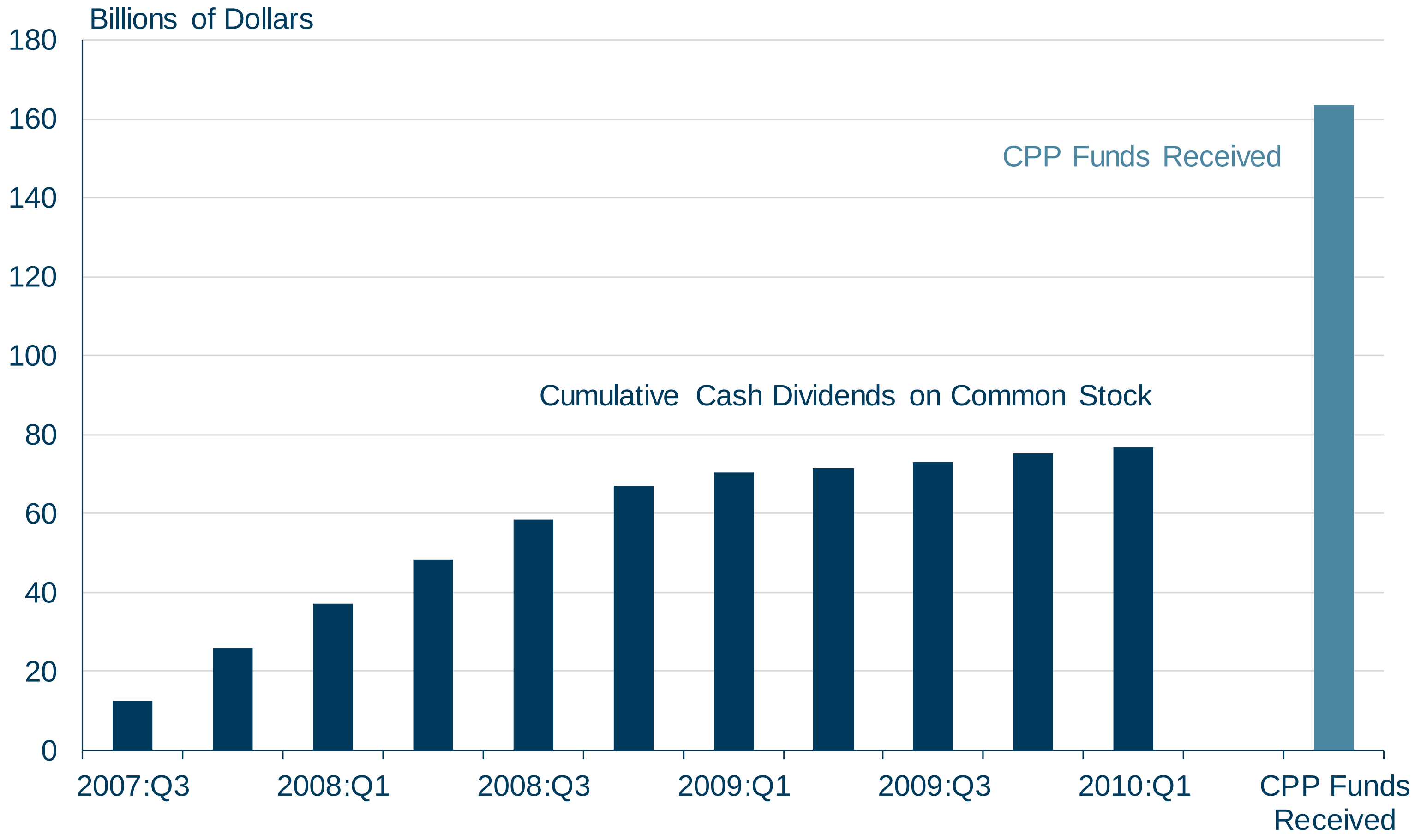
Figure 7: Current Countercyclical Capital Buffers by Jurisdiction



Source: European Systemic Risk Board, Bank of England, Hong Kong Monetary Authority

Figure 8: Cumulative Cash Dividends and Capital Purchase Program Funds Received

2007:Q3 - 2010:Q1

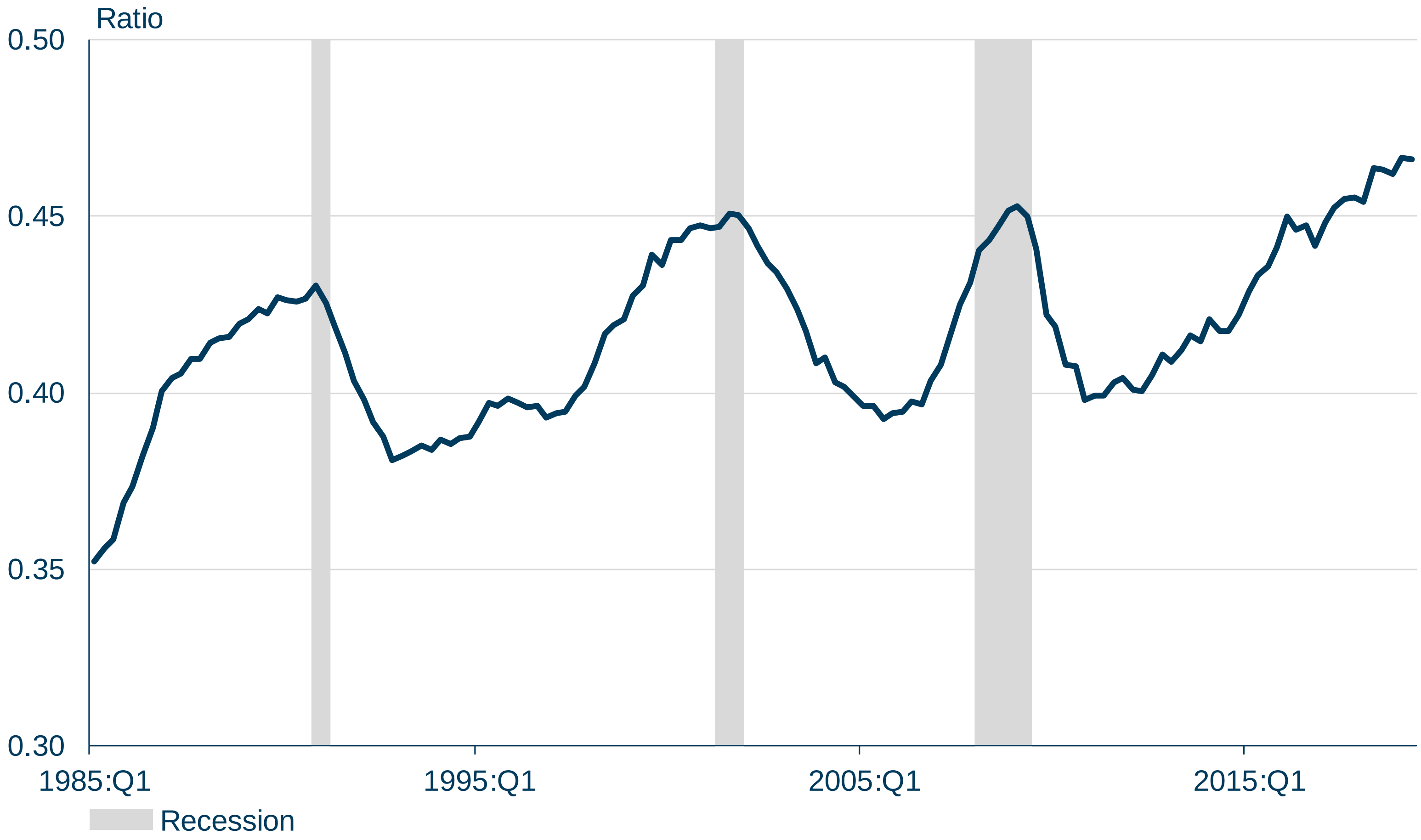


Note: Includes the 19 Supervisory Capital Assessment Program (SCAP) Participants and Wachovia and Washington Mutual. Chart first used in October 10, 2010 International Monetary Fund Conference speech entitled Dividend Policy and Capital Retention: A Systemic "First Response."

Source: Company Financial Statements, Bloomberg Finance L.P., U.S. Treasury

Figure 9: Nonfinancial Corporate Business Debt Relative to GDP

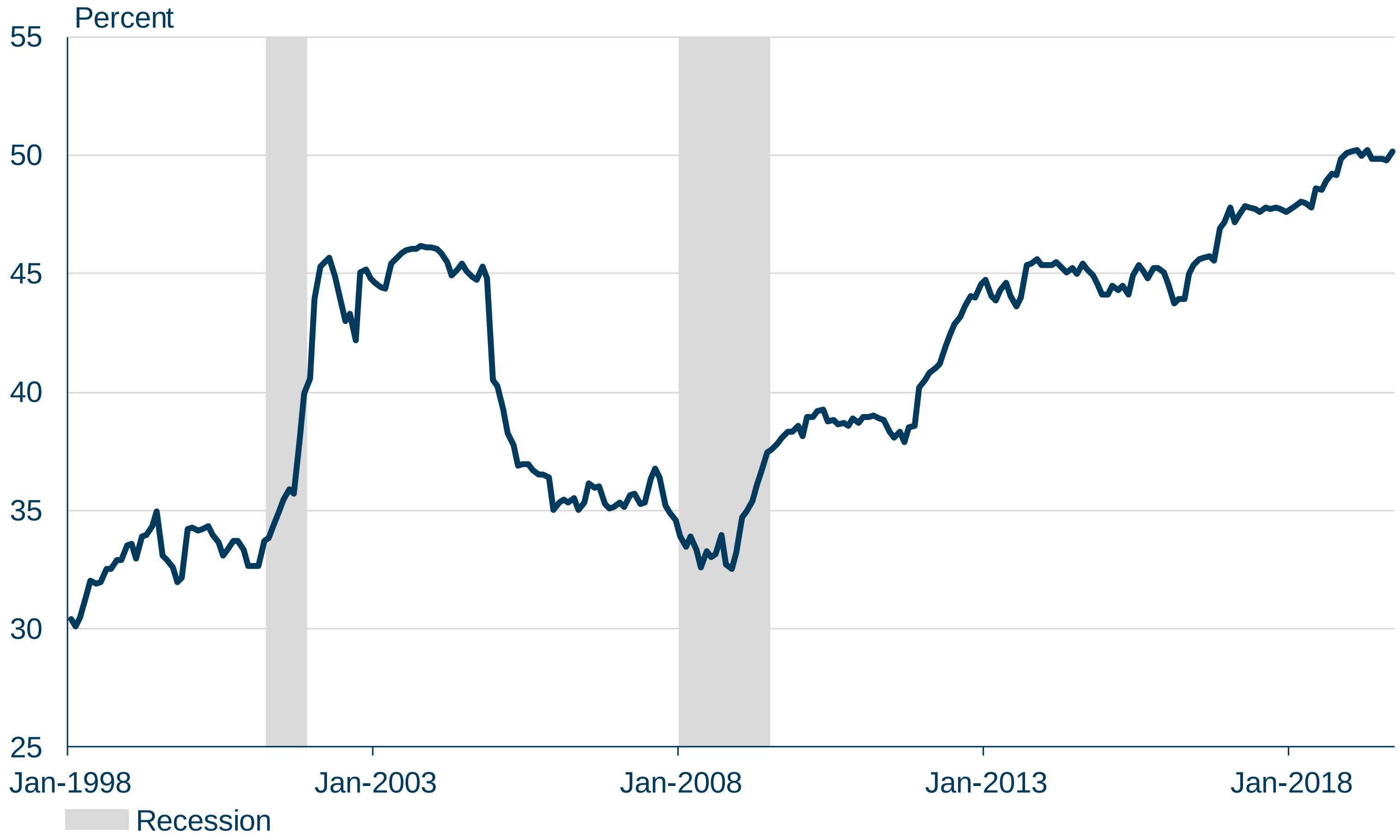
1985:Q1 - 2019:Q2



Source: BEA, Federal Reserve Board, Haver Analytics

Figure 10: U.S. Corporate Bond Market: BBB-Rated Corporate Bonds as a Share of Total Investment Grade Corporate Bonds

January 1998 - September 2019

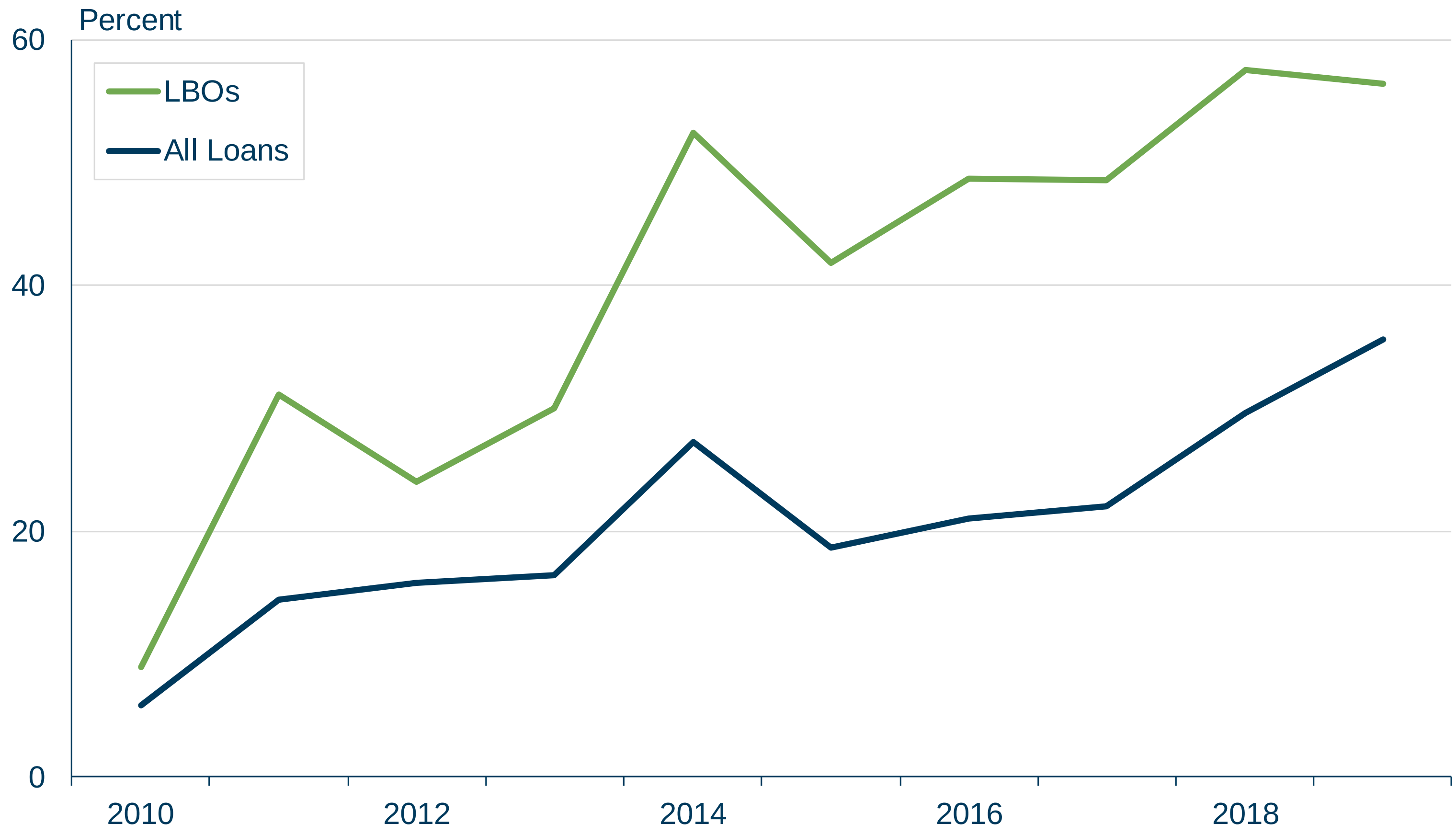


Note: Includes firms' U.S. dollar denominated debt publicly issued in the U.S. domestic market with ≥18 months to maturity at issuance or ≥ 1 year to final maturity (≥ $250M).

Source: ICE/Bank of America Merrill Lynch; Bloomberg Finance L.P.; NBER; Haver Analytics

Figure 11: Share of Loan Issuance where Debt/EBITDA Exceeds 6.0x

2010 - 2019



Note: Includes issuers with EBITDA of more than $50M. Excludes the media and telecom industry loans prior to 2011. EBITDA is earnings before interest, taxes, depreciation and amortization. 2019 is year-to-date.

Source: LCD, S&P Global Market Intelligence