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Press Release

The Clearing House Welcomes Moody's Analytics Report on Banking System Resilience

Report commissioned by TCH defines and measures banking system resilience in the context of post-2008 financial regulatory reforms

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New York, NY – November 21, 2014 – The Clearing House (TCH), the oldest payments company and banking association in the United States, today commended Moody's Analytics on the release of its new report "Measuring the Banking System's Resilience." The report, which was commissioned by TCH, presents a new framework for understanding and measuring the relationship between the stability of the banking system and its ability to contribute to the broader economy's productivity and growth. The report also provides a series of recommendations for the future development of better methods to empirically examine the cumulative impact of financial reforms.

"The primary goals of financial regulation should be focused on maximizing economic growth and simultaneously avoiding the potential for a systemic banking crisis," said Dr. Sri Iyer, Senior Vice President and Director of Research for The Clearing House. "The Moody's report highlights the importance of the need for policymakers to conduct comprehensive analyses of post-crisis financial reforms so there is a better understanding of the economic tradeoffs inherent in modern financial regulation."

The report defines the resilience of the banking system as a combination of two elements: the system's ability to absorb shocks without relying on extraordinary government support and to perform essential economic functions that contribute to the broader economy's growth and productivity. The report stresses that one of the primary goals of financial regulation should be to ensure consistency with this definition of resilience.

The report goes on to establish a framework for evaluating the resilience of the banking system as a whole. The framework provides the context for examining tradeoffs between increased stability through financial regulation and robust economic growth. It also helps identify metrics for measuring banking system resilience and the costs and benefits associated with macroprudential regulatory approaches.

Finally, the report concludes by emphasizing the need for significant work to further understanding of banking system resilience, such as identifying the necessary data and metrics and building the relevant models.

About The Clearing House Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world's largest commercial banks, which collectively hold more than half of all U.S. deposits and which employ over one million people in the United States, and more than two million people worldwide. The Clearing House Association L.L.C. is a nonpartisan advocacy organization that represents the interests of its owner banks by promoting and developing policies to support a safe, sound and competitive banking system that serves customers and communities. Its affiliate, The Clearing House Payments Company L.L.C., which is regulated as a systemically important financial market utility, owns and operates payments technology infrastructure that provides safe and efficient payment, clearing and settlement services to financial institutions, and leads innovation and thought leadership activities for the next generation of payments. It clears almost $2 trillion each day, representing nearly half of all automated clearing-house, funds transfer and check-image payments made in the United States. See The Clearing House's web page at www.theclearinghouse.org.