

CSFI

CENTRE FOR THE STUDY OF FINANCIAL INNOVATION

5 DERBY STREET
LONDON W1J 7AB

TEL: 020 7493 0173
FAX: 020 7493 0190

The impact of changing bank capital requirements: A round-table discussion with Ray Barrell (NIESR), Andrew Smithers (Smithers & Co.) and Duncan Mackinnon (FSA). To be held on Monday, February 22, from 12:30-2:15pm.

Lord Turner, in an FSA discussion paper published in October, referred to: “the fact that society may value economic stability, and may prefer slightly lower long-term growth in return for more stability.” Paternalism seems to come naturally to him but much of the heavy-lifting on this has been done by the National Institute of Economic and Social Research. Ray Barrell and his team have calculated that up to 6 percentage points could be added to capital and liquidity requirements, from the low pre-crisis base, before the long-term effect on economic growth would turn negative.

Others worry about the impact that the ratcheting up of these requirements has already had on lending in the UK, particularly to smaller businesses. Coupled with uncertainty over definitions of “capital”, the Volcker proposals and the looming Basel 3, it is hard to blame banks for being conservative. To debate the impact of calls for “more and better” capital on the banks and the real economy, we are delighted to have Ray Barrell, Andrew Smithers, a rare expert on both balance sheets and economics, and Duncan Mackinnon, who is at the centre of the FSA’s reactivated prudential wing.

- **Professor Ray Barrell** is director of macroeconomics and senior research fellow at NIESR. He was a university lecturer in economics and an economic advisor at HM Treasury before arriving at the Institute in 1988. Since then he has published more than 100 papers in books and academic journals.
- **Andrew Smithers** started Smithers & Co in 1989 and it now provides advice on international asset allocation to more than 100 clients worldwide. His latest book, *Wall Street Revalued: Imperfect Markets and Inept Central Bankers*, was published last year by John Wiley & Sons. He has also written extensively on Japan.
- **Duncan Mackinnon** is manager of the credit risk policy team in the FSA's Prudential Policy Division. He worked on the FSA Discussion Paper that accompanied the Turner Review. Before joining the FSA, Duncan had a number of roles at HM Treasury, including on macroeconomic policy, welfare policy and financial services.

This is a fascinating area and I am sure it will provoke a lively debate. If you or a colleague would like to join us, would you please let us know by calling the office on 020 7493 0173 or emailing sophie@csfi.org.uk. As usual, wine and sandwiches will be provided.

Sincerely yours,
Jane Fuller, Co-director, CSFI