Financial Services Leadership Network

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FSLN VIEWPOINTS

Enhancing the value and safety of financial institutions

April 2024

In today's unpredictable economic environment, financial institutions and regulators face the need to strike a balance between ensuring stability and allowing for profitable growth. Banking crises that occurred in 2023 are prompting a rethink of regulatory policies that were intended to encourage resilience and reduce the likelihood of contagion. At the same time, financial institutions face competition from private capital providers that are not constrained by the same regulations. A director noted, *"A stable financial system is dependent on well-capitalized financial institutions and management of risk, but also profitability. Now we are in a position where the system is being rebuilt."*

On March 7 (London) and March 26 (New York), directors, executives, regulators, and other stakeholders from across banking and insurance met to discuss market perspectives on financial institutions, the evolving regulatory climate, and the role of private capital in financial services. This *ViewPoints* summarizes key themes emerging from those discussions. A companion *ViewPoints* synthesizing separate discussions on emerging AI use cases and associated risks is available here.

For a list of participants, please see the *Appendix (page 12).*

This *ViewPoints*[1] highlights the following key themes that emerged from these meetings and related conversations:

Bank failures are prompting a rethink of regulation

Private capital is presenting serious competition and raising stability concerns

Financial institutions are facing challenges in demonstrating value

EY Building a better working world

Bank failures are prompting a rethink of regulation

> *"[We now have] a cascade of proposals that exceeds even what we saw after the global financial crisis."*
>
> — Director

A series of crises in 2023—instability in the liability-driven investment market in the United Kingdom; the failures of Silicon Valley Bank (SVB), Signature Bank, and First Republic, along with stress in other regional banks in the United States; and the forced acquisition of Credit Suisse by UBS—highlighted problems in the sector: liquidity issues, interest rate risk, depositor flight, uninsured deposits, concentration risk, excessive leveraging, and broader contagion from bank failures. The crises spurred a wave of proposed regulatory reforms, particularly in the United States.[2] One participant referred to them as *"a cascade of proposals that exceeds even what we saw after the global financial crisis."*

Another participant remarked, *"The causes of the SVB failure ultimately rest with the bank's management and directors. But a lot of people made the SVB bank failure happen. The Federal Reserve had the ability to use its discretion to set strict supervision but declined to do so. The supervisory process didn't work well because problems were identified and communicated to management but not forcefully enough to do anything about it."* As a result, some have concluded that *"better supervision, better risk management within institutions, and better governance is the solution."*

Significant reforms are under consideration

Several proposals are now being considered to address the perceived causes of stress in banks in 2023:

- **Improving banks' access to liquidity.** Participants emphasized that because insufficient liquidity was at the core of the 2023 crisis, improved access to liquidity for banks under stress is critical. Yet, they also noted that capital requirements often remain the focus of reforms, including the "Basel III endgame" in the US: *"Many regulatory proposals focus on capital, but that wasn't the cause of the failures. Yet there is nothing proposed by the regulators that is focused on liquidity."* To address liquidity risk, the Group of 30 has recommended strengthening lender-of-last-resort (LoLR) mechanisms by requiring banks to pre-position sufficient collateral at the discount window to cover all runnable liabilities. This enhanced LoLR system would allow banks to obtain immediate liquidity in times of stress and avoid asset fire sales. Proponents

suggested that such a measure would limit the uninsured deposits a bank could amass and allay depositors' fears. *"You would be able to tell depositors they don't have risk and reassure people they don't have to run."*

A regulator noted that stigma around turning to the central bank would need to be overcome: *"The Fed's discount window is there to be used. There is a perceived stigma, but it is important that banks are ready to borrow when they need to borrow."* This reluctance to access central bank lending facilities is not unique to the United States. *"In a lot of countries there is a stigma around borrowing from central banks. In Switzerland, for example, you can borrow from the emergency bank liquidity assistance, but it doesn't sound good if you do."*

- **Adequately integrating interest rate risk into supervisory frameworks.** One participant decried the fact that *"the US doesn't have any capital rules relating interest rate risk to capital requirements"* and said the lack of such rules represents a significant weakness in US banking regulation. *"The answer is to have real interest rate risk capital requirements for the banking industry. The United States has the only banking regulator that doesn't take into account interest rate risk."* Participants pointed to the insurance industry as a model for effectively accounting for interest rate risk. *"It's not an impossible task; the insurance industry does it,"* one director said. *"As part of its regular capital review, every insurance company looks at what happens to capital when the interest rate increases."* Another participant agreed: *"This is basic asset liability management, and very basic stress testing has to happen."*

"The answer is to have real interest rate risk capital requirements for the banking industry."

— Director

- **Fostering trust through transparency.** A director reflected, *"The domino effect [among depositors and across US regional banks] was driven by total fear. So the question is, how can we create trust?"* One participant said, *"Once one bank gets into difficulty, people start to ask, 'Who else looks like that?' Banks have a degree of opaqueness that makes it hard to assess whether a bank is solvent. And if you have any doubts, you might as well move your deposits, because there is no penalty."* A participant suggested one way of increasing transparency and mitigating fear-based contagion would be to require banks to disclose supervisory findings within a certain time frame. *"This would increase transparency in banks by allowing the public to know which banks have problems and which*

don't. It might create problems for the bank disclosing the findings, but any bank not disclosing anything would get an implicit clean bill of health." Some participants were concerned that such disclosures could actually create potential solvency problems by prompting a reaction from depositors or investors, leading to increased instability. A participant reflected that after the global financial crisis, there was disagreement among international regulators about how much transparency helped or hindered financial stability: *"There were some suggesting a little bit of 'hide the ball' in the name of financial stability. But if the truth is being masked from the market, the market needs to know. The problems being masked leads to the market assuming the worst."*

Banks and regulators seek a collaborative path to stability

In addition to specific proposals aimed at addressing the vulnerabilities revealed by the 2023 banking crisis, participants discussed a broader range of principles that should inform efforts to enhance the safety, soundness, and competitiveness of the financial system:

- **Policy and regulation must balance risk reduction and performance.** A significant challenge for regulatory authorities is to balance their mandate to ensure safety and soundness with maintaining a profitable, competitive financial services sector. *"When you see exponential growth, you are likely to see exponential risk,"* observed one participant. But some risk is necessary. Another participant said, *"Post 2008, we started to squeeze risk taking out of the system, but financial institutions are here to take on risk. They cannot do their fundamental job of allocating capital if you squeeze their ability to take on risk too much. You cannot deliver returns if you don't take on some risk."*

  A regulator, responding to the idea that efforts to reduce risk through excessive capital and liquidity requirements will end up creating *"the stability of a graveyard,"* said, *"That's not what we are trying to achieve when we think about regulation. We are clear in what our objectives are: safety and soundness, and policyholder protection. But in pursuing those objectives, we need to promote competition between firms in the context of international standards."*

- **The goal is systemic resilience in the face of individual bank failures.** *"Making a bank bulletproof is very different from making*

"You cannot deliver returns if you don't take on some risk."

— Director

"Making a bank bulletproof is very different from making the financial system stable."

— Director

the financial system stable," remarked one participant. The more important issue is to prevent systemic risk, asserted one participant, who said, *"The singular and striking part of the story is not that SVB failed, but the speed of runoff of deposits and power of contagion … to other regional banks. That's the core problem to address. Banks will get into difficulties, do dumb things, and fail, so we need to make sure there's no contagion to the rest of the system."*

- **Early and effective intervention is critical.** Some participants believe that existing supervisory frameworks could have been used to address distress in US regional banks. One commented, *"We have the tools. You don't need to change the rules; you just need to make sure supervisors are acting in a timely manner."* Others, however, believe the speed of SVB's collapse precluded successful intervention via traditional supervisory mechanisms. A regulator noted, *"The speed of shock and transmission was unprecedented. SVB was the fastest bank failure we have seen, partially due to how much the world has changed, with the role of social media and herding behavior among depositors."* Some participants suggested that supervisors could have anticipated the troubles earlier. One director said, *"Everything that triggered SVB's deposit flight was knowable 12 months in advance. Their liquidity and interest rate position were known. So, what was everyone waiting for? What was supervision waiting for?"*
- **People and talent considerations are paramount.** Participants emphasized that effective risk management starts with having the right people in place across an organization. An executive stated, *"If you have the right people, you won't have these issues,"* and another participant noted, *"SVB didn't have a chief risk officer for nine months."* The need for capable leadership starts at the top of the house: *"You need a board of directors with diversity of background and experience that is willing to challenge management,"* one participant said.

"If you have the right people, you won't have these issues."

— Participant

Private capital is presenting serious competition and raising stability concerns

The role of private capital has grown tremendously in recent years including in markets traditionally dominated by banks, insurance companies, and other asset managers. Some participants suggested this was, in part, a result of the last round of regulatory reforms. As a

new wave of regulation approaches, participants questioned whether this trend will grow, whether regulators will increase monitoring and regulation of private markets, and what the implications for competition and financial stability will be. Vast amounts of capital have flowed into private markets over the last few years: assets under management in private markets grew from $9.7 trillion in 2012 to an estimated $22.6 trillion at the end of 2022.[3] Private equity firms have extensive dry powder (capital commitments that remain unallocated), with the figure standing at $2.59 trillion by the end of 2023, an 8% increase over the previous year.[4] Private capital has become increasingly important in the banking and insurance sectors, whether through private equity firms' investments in financial institutions, alternative asset management firms stewarding a growing proportion of insurance company assets, or through private lending.

Participants attribute the growth in private capital largely to regulatory development in the banking sector, differences in risk appetite, and a desire by private capital investors to gain access to permanent sources of funding. One director observed, *"The provision of credit has grown overall in the last decade, but more has moved outside of banking due to Dodd-Frank"* and similar regulations globally. An executive noted a similar dynamic across Europe: *"As we have managed risk after the great financial crisis and capital requirements have gone up for banks, demand for financing has not gone away but shifted into nonbank financial sectors."* Differences in risk appetite also play a role, with private capital better positioned to take on liquidity risk given their access to long-term capital from investors, while banks rely on deposits. *"The growth of private credit is due to the willingness to take on liquidity risk,"* a director stated. *"This was evident in 2020, when everyone was selling securities except for private capital."* Private investors, for their part, have been acquiring firms that can supply them with a permanent source of funding from providers of financial products like annuities.

"The growth of private credit is due to the willingness to take on liquidity risk."

— Director

Concerns persist about the competitive threat private capital poses for financial services' core businesses and the potential risks it entails for financial stability:

- **Increased competition.** As capital standards and lending requirements have become more stringent for banks and as interest rates have increased borrowing costs, corporate borrowers are increasingly turning to private capital for funding. The private credit market had reached $1.6 trillion by the end of 2023, and some observers forecast that it could grow to $3.5 trillion over the next five

years.[5] It is, for the first time, larger than both the US high-yield and leveraged loan markets and set to exceed commercial credit provided by banks and bonds in the United States.[6] One director bluntly asserted that banks are *"being put out of business"* by private credit.

- **Systemic risk.** The rapid growth of private capital has raised concerns about financial stability. One regulator noted that *"institutions involved in private lending have significant linkages to banking sectors, so we are asking what risk can flow back into regulated institutions from those institutions that provide that private credit."* A participant suggested that private capital firms' lack of transparency makes it difficult to assess their soundness. *"There's a lot of things we do not know. Which ones are run well, which ones aren't, and what capital are the owners willing to put in if something goes bad?"* Another participant said, *"With the role private capital is playing in the economy, it's hard to say it shouldn't be regulated. If we don't do anything, it's not an* if*, it's a* when *will private capital have a disaster."* But others question the systemic risk, with one asserting, *"Private credit is not a serious concern for financial stability. For one thing, their investors are institutional investors who can afford to lose money, not retail depositors."*

Despite the concerns surrounding private capital, participants also recognize it as an *"important part of credit provision for the economy."* One director commented, *"Private capital is here to stay. If you pull it out, you take away credit availability."*

"If we don't do anything, it's not an if*; it's a* when *will private capital have a disaster."*

— Director

Financial institutions are facing challenges in demonstrating value

Many financial institutions have seen depressed share prices in recent years, and network participants expressed frustration that in many cases, company valuations do not reflect performance and balance sheet fundamentals. Participants discussed the state of the industry, challenges around demonstrating value in the financial market, and ways undervalued banks can combat the value mismatch issue.

Conditions vary by geography

While banks globally have faced depressed valuations, conditions vary by geography. Over the last decade, the largest banks' median return on equity has been around 5% in Europe and 10% in the United States, with

some of the largest US banks now generating returns on equity of over 16%—a substantial profitability gap.[7] And the proportion of European banks trading below book value is significantly higher than the proportion of North American or Asian banks.[8] Participants suggested that a combination of size of capital market and regulatory climate has given American banks a significant advantage over their European counterparts. *"The big American banks have gotten bigger, and scale matters,"* one executive said. *"There has been a discount in Europe and the UK, and it's a combination of political and regulatory conditions. The US has a deep capital market, while the UK does not. The EU, while a huge market, does not have a single capital market. That needs to change."* Another executive said, *"The UK and Europe have decided to give investment banking to the largest capital market in the world willingly, and I don't think it's something we are ever going to recover from."* More broadly, European and UK bank leaders acknowledge that they are operating in an industry where *"the muscle memory of investors hasn't changed. A lot of investors have had a poor experience of investing in EU banks over the last 30 years."*

While some hoped market expectations would adjust after the financial crisis, investors have been slow to reward less volatility and improved stability. One participant suggested that as a result of this and other limitations to bank growth and profitability in Europe, European bank valuations are unlikely to reach pre-2008 levels: *"Success might mean 1.2–1.3 times book. We're not getting back to the 3.2 times book we saw before the financial crisis."*

"It's hard to grow massively in a mature business unless you are doing something very different or taking more risk or pricing incorrectly."

— Executive

Growth opportunities are limited in a mature industry that prioritizes stability

Participants acknowledged that rapid growth is inherently challenging in financial services. An executive remarked, *"It's hard to grow massively in a mature business unless you are doing something very different or taking more risk or pricing incorrectly."* Financial stability concerns are also important, as efforts to derisk the banking system after the financial crisis imposed inherent constraints on banks' growth. A bank executive said, *"We are not looking for super growth, just growth equal to nominal GDP growth,"* which is to be expected of a bank whose operations are predominantly in a single market. The priority is slow and steady growth and improvement in return on investment: *"Real stability in your narrative is key. It is important to show improvement quarter over quarter for investors."*

Complexity challenges the investment case

One director pointed out, *"The hurdle of investing in financial services is much higher. Investors need the will and ambition to spend time and resources to understand financial institutions. There is an element of complexity in banks' business models and governance frameworks."* According to an insurance executive from EY, insurance can be even more challenging for investors to understand. The executive noted that in insurance, the *"high cost of equity is exacerbated by a fog of understanding. Investors may not really be understanding the value dynamics of insurance products."* Another participant observed, *"It's so hard to understand the numbers that insurance companies put out because they're so kind of actuarial and complex."* This can lead investors to neglect genuine drivers of value. *"The feeling among insurance companies is that no matter what you say, people only really care about what dividends you pay, so we get focused on, 'We just need to keep paying dividends to tell them that we generate cash as a really basic metric,' despite the fact there is all this clever stuff happening over here."*

Firms are exploring strategies to generate value

In the face of these challenges, participants identified several ways financial institutions can more effectively demonstrate value to market participants:

- **Delivering for the customer.** *"It starts with strategy and delivering for the customer,"* said a participant. Another participant stressed being attuned to changing customer needs: *"You see dramatic movement in terms of customer behavior. We forgot that customer behavior changes."*
- **Focusing on core capabilities and simplification.** Unlike certain industrial companies, banks cannot easily separate out their different codependent parts, which limits their ability to sell off pieces. But a participant said that nevertheless, for many financial institutions, *"there is a cost culture journey to be made and a simplification journey to be made."* The participant continued, *"If you think about Aviva today versus a couple years ago, it demonstrates how important it is to focus and do what you're great at. That's an area where some banks are lagging."* A bank executive agreed: *"We need to continue to simplify. We have taken out a lot of cost and complexity in the last five years, but we are still overcomplicated."*

"We need to continue to simplify. We have taken out a lot of cost and complexity in the last five years, but we are still overcomplicated."

— Executive

Acknowledging the challenges of competing with the large US investment banks, another participant noted, *"Europe has fantastic retail and corporate banks and extraordinary wealth managers. European banks should do what they are good at."*

- **Effectively managing capital.** Participants highlighted the need for effective capital allocation. One director advised, *"Banks need to be rigid in how they deploy capital. These are mature industries, and the capital for growth is limited."* An executive declared, *"I want to know what you are doing with your risk-weighted assets every time you do a deal. You really have to make sure you manage the capital at the edges."*
- **Clearly communicating the investment case.** An executive noted, *"From an accounting perspective, banks are relatively easy, while insurance companies are really difficult. From a capital perspective, banks are unbelievably complicated. It is hard for investors to really understand. You lose the generalist investor quickly. On reporting day, we publish a 2,000-page report and ask the investors to understand it. It's a huge burden and makes things complicated. It is on us, the banks, to determine how to simplify that."* An EY insurance executive said, *"You have to focus on the return on equity and cost of equity for your investors. In the insurance world, you also need to be clear about product types. You really need to put yourself in the shoes of the investors."*
- **Maintaining a long-term focus.** Markets tend to focus on quarterly results, but a director reminded the group, *"The role of boards is to challenge management to ensure that we are looking to the future …. Markets have a very short-term view. [Investors ask,] 'How does that compare with six months ago?' We should be focused on, 'Where will that take us in three years?' We are making decisions about acquisitions, investments in AI, and setting a strategic balance among risk, control, and innovation, and we should be confident in setting strategy over three years and sticking to it.*"

"The role of boards is to challenge management to ensure that we are looking to the future."

— Director

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A participant observed, *"We have been through an extended period of low rates, … regulatory fines, … never-ending regulatory changes, and complexity in politics, too. We really desire stability."* Unfortunately, that seems unlikely. The banking crises in 2023 exposed vulnerabilities in the sector and reignited debate over the reforms developed after the global financial crisis and possible new approaches. As regulators and

policymakers consider new reforms, they need to bear in mind the broader implications for financial institution profitability and competitiveness and the trade-offs between stability and a thriving financial system. For their part, boards and management teams must strive to create and demonstrate value to the market despite ongoing uncertainty.

Appendix: Participants

The following members participated in all or part of the meeting:

Participants

Homaira Akbari, Non-Executive Director, Santander

Jeremy Anderson, Senior Independent Director, Prudential plc and UBS

Nora Aufreiter, Human Capital and Compensation Committee Chair, Scotiabank

David Bailey, Executive Director, Prudential Policy, Bank of England

Colin Bell, Chief Executive Officer, HSBC Bank plc and HSBC Europe

Kristen Bennie, Group Head of Partnerships and Innovation, Barclays

Sarah Beshar, Non-Executive Director, Invesco

Jonathan Bloomer, Chair of the Board, Hiscox and Morgan Stanley International

Craig Broderick, Risk Review Committee Chair, BMO Financial Group

Doug Caldwell, Executive Vice President and Chief Risk Officer, Corebridge Financial

Jan Carendi, Non-Executive Director, Lombard International Assurance

Stefan Claus, Technical Head of Division, General Insurance, Bank of England

Jay Clayton, Chair of the Board, Apollo Global Management; Senior Policy Advisor and Of Counsel, Sullivan & Cromwell

Rodge Cohen, Senior Chair, Sullivan & Cromwell

Greg Coleman, Senior Deputy Comptroller for Large Bank Supervision, Office of the Comptroller of the Currency

Pierre-Olivier Desaulle, Non-Executive Director, Beazley

Bill Dudley, Former President and Chief Executive Officer of the Federal Reserve Bank of New York; Non-Executive Director, UBS

Ulrika Ekman, Non-Executive Director, Société Générale

Ruben Falk, Global Lead, Generative AI and Machine Learning for Financial Services, Amazon Web Services

Alessia Falsarone, Non-Executive Director, Assicurazioni Generali

Karen Fawcett, Non-Executive Director, Aegon

Karen Gavan, Audit Committee Chair, Swiss Re

Shyam Gidumal, Non-Executive Director, Renaissance Reinsurance

Karen Green, Sustainability Committee Chair, Phoenix Group Holdings

Karl Guha, Chair of the Board and Nomination and Corporate Governance Committee Chair, ING

Ashok Gupta, Risk Committee Chair, Sun Life Financial

Bob Herz, Audit Committee Chair, Morgan Stanley and Fannie Mae

Sheila Hooda, Nominating and Corporate Governance Committee Chair, Enact Holdings; Non-Executive Director, Alera Group

Joan Lamm-Tennant, Chair of the Board, Equitable Holdings and AllianceBernstein

John Lister, Actuarial Committee and Risk Committee Chair, Old Mutual; Risk Committee Chair, Phoenix Life

John Liver, Non-Executive Director, Barclays UK

Paula Loop, Non-Executive Director, Robinhood

Nicholas Lyons, Chair of the Board and Nomination Committee Chair, Phoenix Group Holdings

Michel Madelain, Non-Executive Director, China Construction Bank

John Maltby, Audit Committee Chair, Nordea

Kate Markham, Chief Executive Officer, Hiscox London Market

Hazel McNeilage, Human Capital and Compensation Committee Chair, Reinsurance Group of America

Tom Mildenhall, Managing Director, Global Head of Technology Partnership Development, Bank of America

Liz Mitchell, Non-Executive Director, Principal Financial

Gustav Moss, Partner, Cevian Capital

Katie Murray, Group Chief Financial Officer, NatWest; Audit Committee Chair, Phoenix Group Holdings

Ed Ocampo, Risk Committee Chair, JPMorgan Securities

Lewis O'Donald, Non-Executive Director, HSBC Bank plc

Sally Orton, Non-Executive Director, Nationwide Building Society

Bill Parker, Non-Executive Director, Synchrony Financial

Marty Pfinsgraff, Risk Committee Chair, PNC Financial

Russ Rawlings, Regional Vice President of Financial Services and Public Sector, UK, Databricks

Philip Rivett, Audit Committee Chair, Standard Chartered; Non-Executive Director, Nationwide Building Society

Lisa Ryu, Senior Associate Director, Federal Reserve Board

Manolo Sánchez, Non-Executive Director, Fannie Mae

Arvind Sontha, Co-Founder and Chief Executive Officer, Kyber

Bob Stein, Audit Committee Chair, Assurant and Talcott Resolution

Patrick Tannock, Chief Executive Officer, Insurance XL Bermuda Ltd; Non-Executive Director, Fidelity

Paul Taylor, Non-Executive Director, Morgan Stanley International

Nick Turner, Group Chief Executive, NFU Mutual

David Wildermuth, Chief Risk Officer for the Americas and Consolidated US Operations, UBS

Dael Williamson, EMEA Chief Technology Officer, Databricks

Elaina Yallen, Head of Product, Hebbia AI

EY

Omar Ali, EMEIA Financial Services Regional Managing Partner

Jan Bellens, Global Banking and Capital Markets Sector Leader

David Lambert, Global Insurance Strategy and Transactions Leader

Ed Majkowski, Americas Insurance Sector and Consulting Leader

Nigel Moden, EMEIA Financial Services Banking and Capital Markets Leader

Isabelle Santenac, Global Insurance Leader

Marc Saidenberg, EY Americas Financial Services Regulatory Lead, Principal US Financial Services Consulting

Phil Vermeulen, EMEIA Financial Services Leader

John Walsh, Americas Banking and Capital Markets Leader

Sophia Yen, Principal, Insurance Strategy and Innovation Leader, Financial Services

Tapestry Networks

Dennis Andrade, Managing Director

Eric Baldwin, Executive Director

Tiffany Luehrs, Associate

Brenna McNeill, Associate

Tucker Nielsen, Managing Director

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EY Building a better working world

About this document

The Financial Services Leadership Network (FSLN) is a group of financial services board members, executives, and stakeholders, together with other subject matter experts committed to addressing pressing problems and enhancing trust in financial markets. The network is organized and led by Tapestry Networks with the support of EY as part of its continuing commitment to board effectiveness and good governance.

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

About Tapestry Networks

Since 2004, Tapestry has been the premier firm for building collaboration platforms with leaders of the world's foremost organizations. Tapestry Networks brings senior leaders together to learn and to shape solutions to today's most pressing challenges. We are a trusted convener of board directors, executives, policymakers, and other stakeholders, connecting them with information, insight, and each other. Top experts join our discussions to learn from the leaders we convene and to share their knowledge. Our platforms help educate the market, identify good practices, and develop shared solutions. We call this the power of connected thinking.

About EY

EY is a global leader in assurance, tax, transaction, and advisory services to the financial services industry. The insights and quality services it delivers help build trust and confidence in the capital markets and in economies the world over. EY develops outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, EY plays a critical role in building a better working world for its people, for its clients, and for its communities. EY supports the networks as part of its continuing commitment to board effectiveness and good governance in the financial services sector.

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Endnotes

[1] *ViewPoints* reflects the network's use of a modified version of the Chatham House Rule whereby comments are not attributed to individuals or corporations. Quotations in italics are drawn from conversations with participants in connection with the meeting.

[2] Regulatory proposals and/or changes include the G30 report *Bank Failures and Contagion: Lender of Last Resort, Liquidity, and Risk Management*, the US Office of the Comptroller of the Currency's revision to its manual on bank enforcement actions to include "Appendix C: Actions Against Banks with Persistent Weaknesses," Basel III (known as "Endgame"), and Michael Barr's *Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank* (known as the Barr report).

[3] Ryan Burke, "Are You Harnessing the Growth and Resilience of Private Capital?" EY, August 21, 2023.

[4] Muhammad Hammad Asif and Annie Sabater, "Private Equity Firms Face Pressure as Dry Powder Hits Record $2.59 Trillion," S&P Global Market Intelligence, December 13, 2023.

[5] Lisa Lee, "Private Credit Is the Hot New Thing, but Its Roots Go Back to 1980s Junk Bonds," Bloomberg, December 16, 2023.

[6] Robin Wigglesworth, "The Private Credit 'Golden Moment,'" *Financial Times,* July 6, 2023.

[7] Luca di Vito, Natalia Martín Fuentes, and João Matos Leite, *Understanding the Profitability Gap between Euro Area and US Global Systemically Important Banks* (Frankfurt am Main: European Central Bank, 2023).

[8] Saurabh Tripathi et al., *To Seize a $7 Trillion Opportunity, Banks Need Bolder Strategies for Serving Customers and Society* (Boston: Boston Consulting Group, 2024), 1.