

Course 8

- 1/ Developments in the US – regulatory push-back
- 2/ “Accidents” – SVB (First Republic), the UK “mini-budget”, Crédit Suisse
- 3/ The New Trump Disorder: Bifurcation – the AI boom, bubbly stocks, inflation and the Fed

1. Developments in US

Regulatory Push-Back since Dodd-Frank and Basel III

Dodd–Frank Wall Street Reform and Consumer Protection Act (2010)

- A huge piece of legislation – nearly 850 pages (compared to the Glass Steagall Act, 1932, incorporated in Banking Act 1933 – 50 pages)
(this is an indication of the problem of complexity)
- Several agencies covering many areas
- Raises questions of managing oversight

Some key measures:

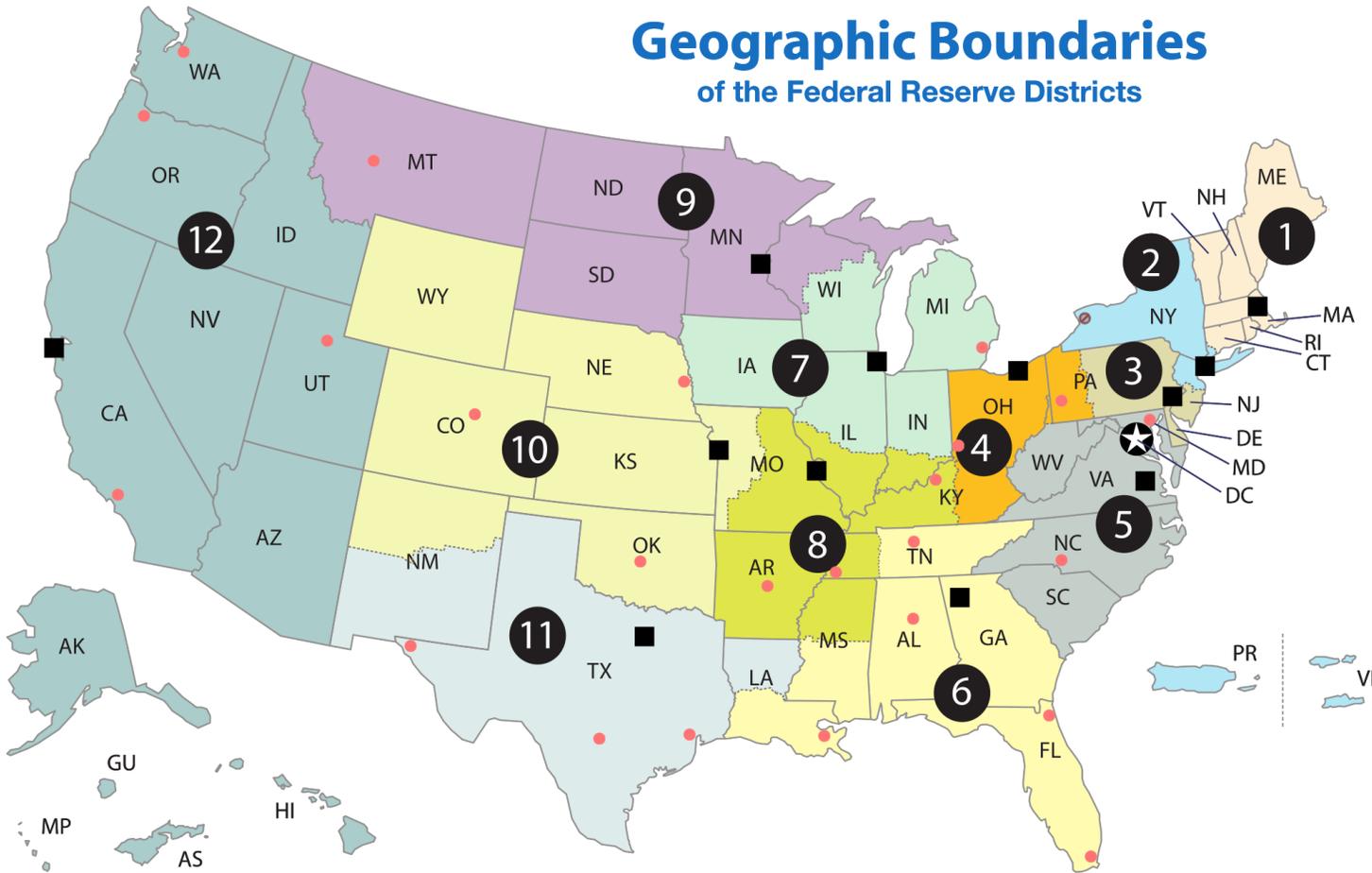
- Financial Stability Oversight Council – to monitor firms (too-big-too-fail) – orderly liquidation fund – it can break up banks (under authority of US Treasury)
- Consumer Financial Protection Bureau (CFPB) – prevents predatory mortgage lending (independent agency)
- Securities and Exchange Commission (SEC) Office of Credit Ratings – to oversee ratings agencies.
- Whistleblower Program – with bounties from litigation

Some key measures: (list compiled using ChatGPT, 13 November 2025)

- Enhanced prudential standards and resolution tools for systemically important financial institutions (SIFIs) *
- Higher capital, liquidity, and leverage requirements, enhanced stress-testing, “living will” resolution planning.
- Regulation of derivatives (OTC swaps) to bring greater transparency and central clearing.
- Restrictions on proprietary trading by banks (the “Volcker Rule”).
- Consumer-protection mandates, mortgage-lending reforms, oversight of credit-rating agencies, etc.

The Federal Reserve System

Geographic Boundaries of the Federal Reserve Districts



- Federal Reserve Bank of Boston
- Federal Reserve Bank of New York
- Federal Reserve Bank of Philadelphia
- Federal Reserve Bank of Cleveland
- Federal Reserve Bank of Richmond
- Federal Reserve Bank of Atlanta
- Federal Reserve Bank of Chicago
- Federal Reserve Bank of St. Louis
- Federal Reserve Bank of Minneapolis
- Federal Reserve Bank of Kansas City
- Federal Reserve Bank of Dallas
- Federal Reserve Bank of San Francisco

Federal Deposit Insurance Corporation (FDIC)



- Set up in 1933 to insure deposits
- Since Dodd-Frank, the FDIC insures deposits in member banks up to \$250,000 per ownership category
- (In Europe €100,000 for all accounts in the same bank, [Bercy Infos](#) [retrieved 16/11/2023]).

Volcker Rule (to protect commercial banking)



1927-2019

Binyamin Appelbaum and Robert D. Hershey Jr.,
“[Paul A. Volcker, Fed Chairman Who Waged War on Inflation, Is Dead at 92](#)”, The New York Times, Dec 9, 2019.

- Prohibits proprietary trading
- Commercial banks cannot trade on their own account: i.e. it cannot use its own capital to trade in financial assets (notably derivatives)
- See Investopedia “[Proprietary Trading:...](#)” and video

Trump Rollback on Dodd-Frank: Economic Growth, Regulatory Relief, and Consumer Protection Act, (EGRRCP or the “Reform Act”), May 24, 2018



Trump hypes himself as a “[deregulator](#)” of the economy.

The financial industry lobbies against capital liquidity, stress requirements for regional and community banks – bad for the economy.

- Threshold of SIBs/SIFIs up from \$50 to \$250 billion
- Companies with less than \$100 bn exempted from prudential standards
- Limited stress testing for banks with \$100 bn or more
- lenders with assets less than \$10 billion from Volcker rule requirements

Amendments to Volcker Rule

In 2019, FDIC and OCC Approve Volcker 2:

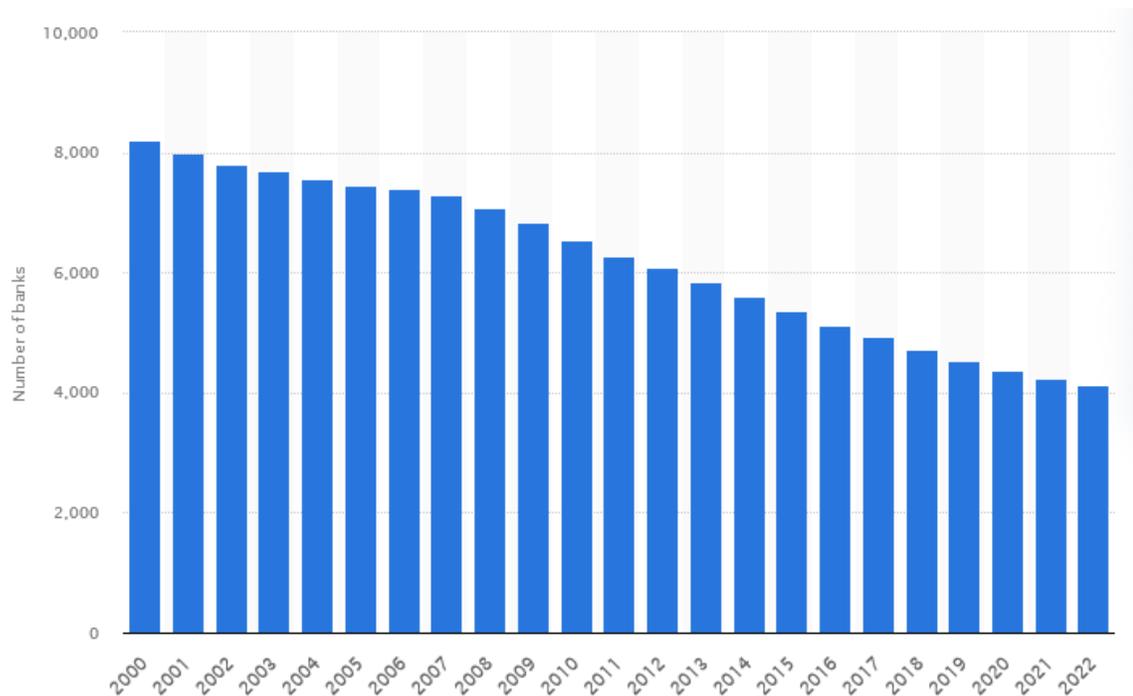
- increased ability of banks to invest in so-called “covered funds” (essentially investment companies, including private equity, hedge funds and commodity pools)
- Special Documentation Obligations eliminated for banks without significant trading activities. (Source: [Schulte Roth + Zable, News & Insights](#), 8/23/2019.)

In 2020, rule finalized by five federal regulatory agencies concerning “covered funds”. The rule modified by:

- Streamlining the covered funds portion to the rule;
- Addressing the extraterritorial treatment of certain funds; and
- Permitting banking entities to offer financial services and engage in other activities that do not raise concerns that the Volcker rule was intended to address (Source: Fed, [“Financial regulators modify Volcker rule”](#), June 25, 2020)

Steady concentration of banking system

Number of FDIC-insured US commercial banks, 2000-2022 (down from just over 8,000 to just over 4,000)

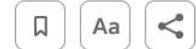


Source: Statista, [Number of FDIC-insured commercial banks in the United States from 2000 to 2022](#), 2023 [retrieved 16 November 2023].

Jamie Dimon bails out First Republic – and FDIC

By Lauren Silva Laughlin

May 2, 2023 9:43 AM GMT+2 · Updated 6 months ago



Commentary | By Lauren Silva Laughlin



Jamie Dimon, CEO of JPMorgan Chase, leaves after the launching of the Advancing Cities Challenge, in Pantin, a suburb of Paris, France, November 6, 2018. REUTERS/Benoit Tessier [Acquire Licensing Rights](#)

After the rough ride of bailing out Bear Stearns in 2008, Dimon and JP Morgan get a “sweetheart” deal from the FDIC. Lauren Silva Laughlin, [Reuters](#), May 2, 2023

Regulatory changes under the Biden administration (some policies, as identified by ChatGPT 4o, 14 November 2024)

Consumer protection:

Student Loan Debt Relief (more than 1 million debt forgiveness): [Investopedia](#)
13/11/2024

Regulation of “Junk Fees”: the Consumer Financial Protection Bureau (CFPB) has targeted excessive banking fees.

Corporate Accountability and Market Integrity:

Enhanced oversight of private funds: SEC, increased transparency and accountability of private funds industry (including hedge funds and private equity)

Insider trading regulations:

Modernization of regulatory process to strengthen agency effectiveness.

Changes to the Basel Endgame capital hike rule

September 2024 – agreements to weaken regulations

Credit risk: lower risk-weights for residential real estate loans and loans to retail customers; reduced risk-weights for low-risk corporate exposures; scrapping of minimum haircut for securities financing.

Equity exposure: low risk-weight for tax credit equity funding structures.

Operational risks: operational risk capital requirement to be softened.

Market risks and derivatives: easier constraints on banks' use of internal modelling of risk of trading and derivatives activities.

Tiering: non-GSIB banks (with assets between \$250 bn and \$700 bn) will not have to comply with market risk and other frameworks if they do not trade internationally (banks with lower assets will not have to apply frameworks).

Source: Hannah Lang, "[How regulators have overhauled contentious Basel Endgame capital hike rule](#)", Reuters, Sept 11, 2024.

Trump II, since January 2025: key changes (ChatGPT 13 November 2025)

Consumer Financial Protection Bureau (CFPB) operations scaled back.

On 7 Feb 2025 Trump appointed Russell Vought as Acting Director of the CFPB (also Director of the Office of Management of the Budget and a lead contributor to Project 2025, a critic of critical race theory). He directed staff to suspend nearly all rule-making, enforcement, investigatory actions, and communications. This signals a major shift in consumer-finance oversight (less aggressive supervision).

Banking-regulation roll-backs / easing on capital & prudential requirements: The administration is preparing to ease capital and liquidity requirements for the largest banks, with more emphasis on growth and credit expansion rather than purely prudential constraints. Expectation of more flexibility for banks in large asset categories (“normalisation” of reforms rather than full rollback).

Trump II continued...

Regulatory agenda focused on “growth, innovation, credit provision” in banking/fintech

Agencies (Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), Federal Reserve) under new leadership and expected to pivot towards supporting fintech, crypto, tokenisation, bank charters for non-traditional firms.

The approach signals less “one-size-fits-all” and more tailored regulation (especially for smaller/midsize banks).

Broader deregulation / reduced regulatory oversight

The Brookings Institution regulatory tracker reports that large numbers of rules are being rescinded or delayed — indicating a sustained deregulatory push across many sectors including finance.

For example, bank exams and supervisory scrutiny are reportedly being scaled back in non-core areas (reputational risk, ESG) according to news sources.

Tax / investment regimes & adjacent sectors affecting financial services

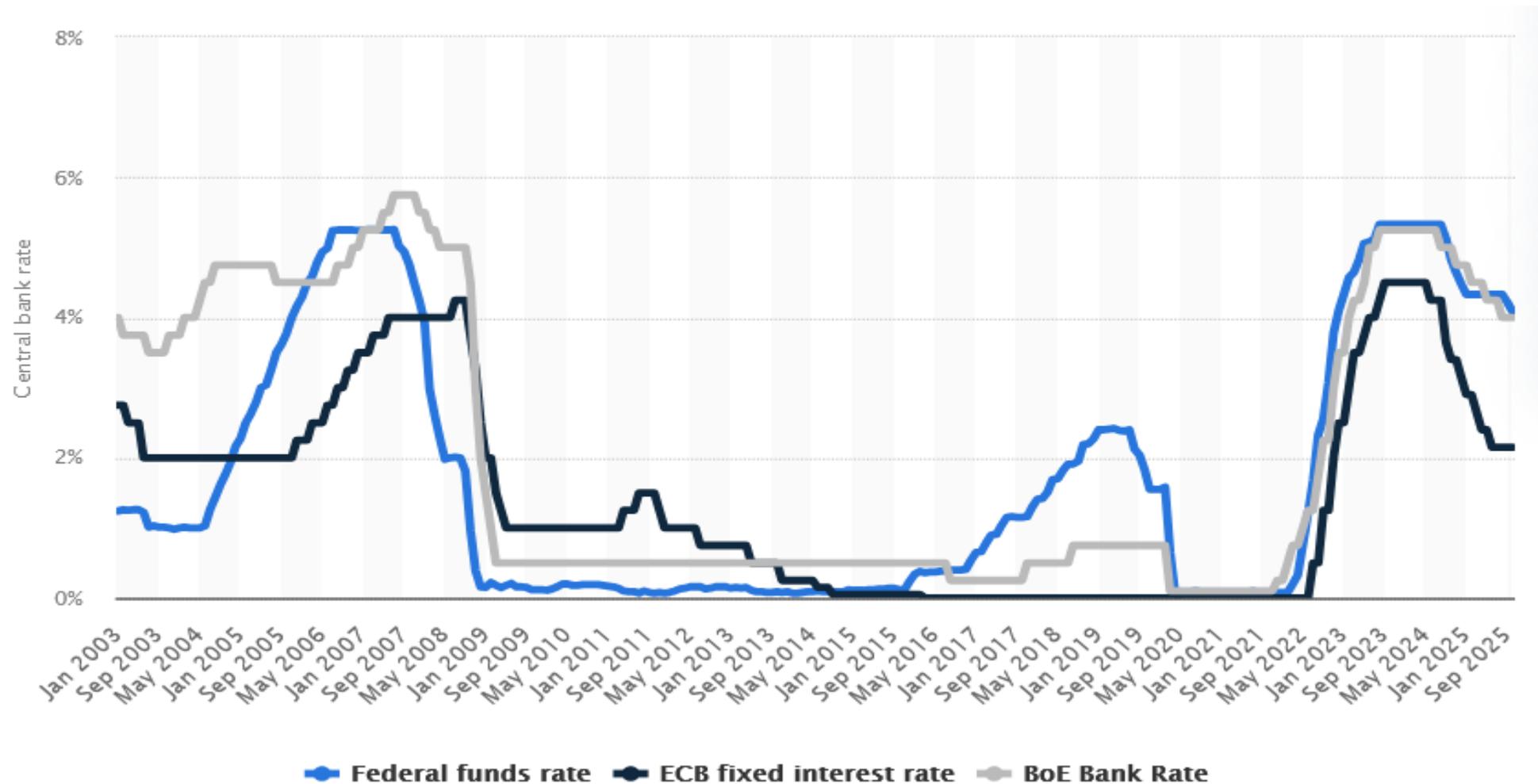
Recent legislation, e.g., One Big Beautiful Bill Act (signed July 2025) has implications for carbon capture, energy tax credits, clean-technology investment — affecting financial markets and banks/asset managers.

Changes in retirement-plan rules (defined contribution access to alternative assets) also have financial-services regulatory implications.

2/ “Accidents will happen”:*
SVB, the UK “mini-budget”,
Crédit Suisse

* [Accidents will happen](#), by Elvis Costello and the Attractions, 1979

Change in interest rate environment, since the rise in inflation



Source: Statista, "[Monthly Federal funds effective rate, European Central Bank fixed interest rate, and Bank of England Bank Rate from January 2003 to October 2025](#)", retrieved 13 November 2025.

Cryptos – have escaped regulation



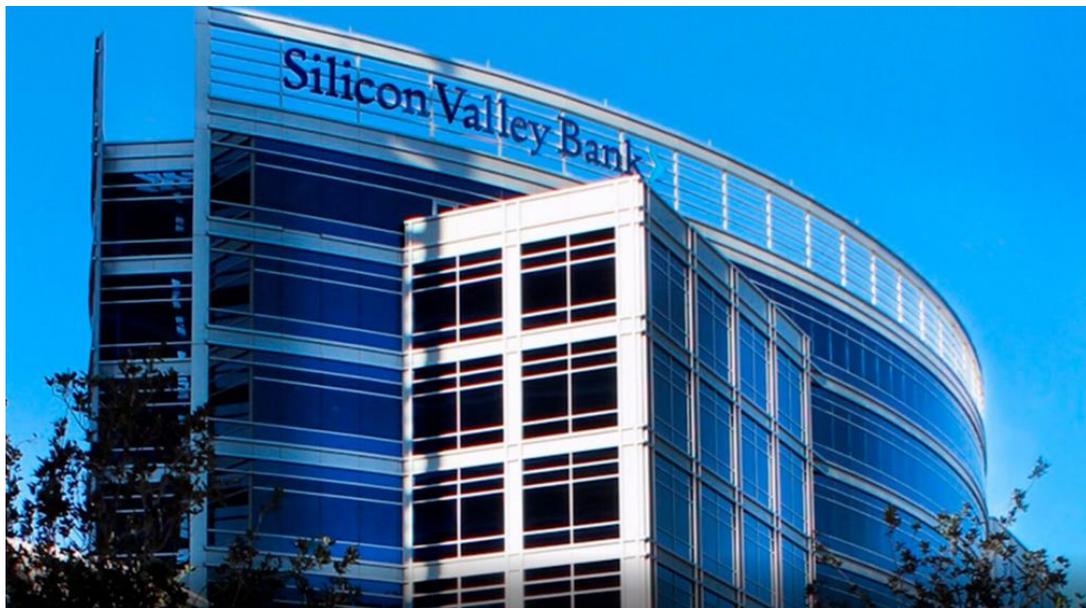
FTX Trading Ltd

'It just kinda went crazy': FTX's lavish spending highlights lack of controls

Source: Financial Times, 30 November 2022

- Cryptos have so far remain unregulated: due to their nature (decentralised ledgers), their complexity, operations across jurisdictions.
- Central banks have warned investors about total losses.
- (Tooze – after FTX collapse – suggested regulating like gambling)
- Ponzi scheme nature
- Illicit business
- CBDCs could be a way forward: centralised – problems of civil liberties and competition with banks

Silicon Valley Bank (SVB) – bank run – closed March 10, 2023



Under EGRRCPA, SVB (and others) nor required to calculate and report Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio, or carry out liquidity assessment reviews.

Capital and Liquidity are not the same thing.

SVB not obliged to calculate Net Stable Funding Ratio
Trump weakened Comprehensive Liquidity Assessment Review (for serious stress-testing).

Largest failure since 2008

-concentration in one sector

-higher interest rates made getting new venture capital hard, companies (start-ups) withdrew cash > bank run

-SVB held long-term government bonds – safe but low yields (2%). As interest rates rose, prices fell.

-Fed stepped in to bail-out depositors with more than \$250,000

Next, the First Republic Bank was rescued by major banks, led by Jamie Dimon and JPMorgan.

“Credit Suisse falls prey to a crisis of confidence”

SVB’s collapse has led to jittery markets seeking banking’s weakest link,
Editorial Board, Financial Times, March 16, 2023



Credit Suisse received an emergency \$54bn backstop from the Swiss central bank but it is unclear whether the support will be more than a sticking plaster in the longer term © Pascal Mora/Bloomberg

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FT FILM

CREDIT SUISSE: A STORY OF SCANDAL AND DECLINE

Video description Transcript

News in-depth Banks

Credit Suisse: what next for the crisis-hit bank? | FT Film

The Credit Suisse story is about how finance went wrong at one of Switzerland's most important institutions and one of the most important banks in Europe. It's a tale of high-profile scandals, from corporate espionage to cocaine smugglers and oligarchs. But what does the future hold for the venerable institution? Credit Suisse's new chairman, Financial Times reporters and banking industry experts explain it all

July 14, 2022. Produced, directed and edited by Daniel Garrahan. Filmed by Petros Gioumpasis and Andrea Capranico. Graphics by Russell Birkett. Colour grade by Nevan Carey. Audio design by Matt Jones

[Financial Times video, July 14, 2022](#)

Essentially a private bank for wealthy individuals.

A rescue with UBS was organised, which itself had to be bailed-out after the GFC.

A complex failure following multiple errors, including significant conflict within top management.

"When you see one cockroach, there are probably more, and so everyone should be forewarned of this one," said JPMorgan CEO Jamie Dimon (mid-October 2025)

**Tricolor: Subprime Auto Lender
(collapsed September 2025) poor
lending**



**First Brands: car parts maker (collapsed
October 2025) fraud, use of
collateralised loan obligations (CLOs)**



Policy Blunders: UK “Fiscal event” / “mini-budget” 23 Sept 2022



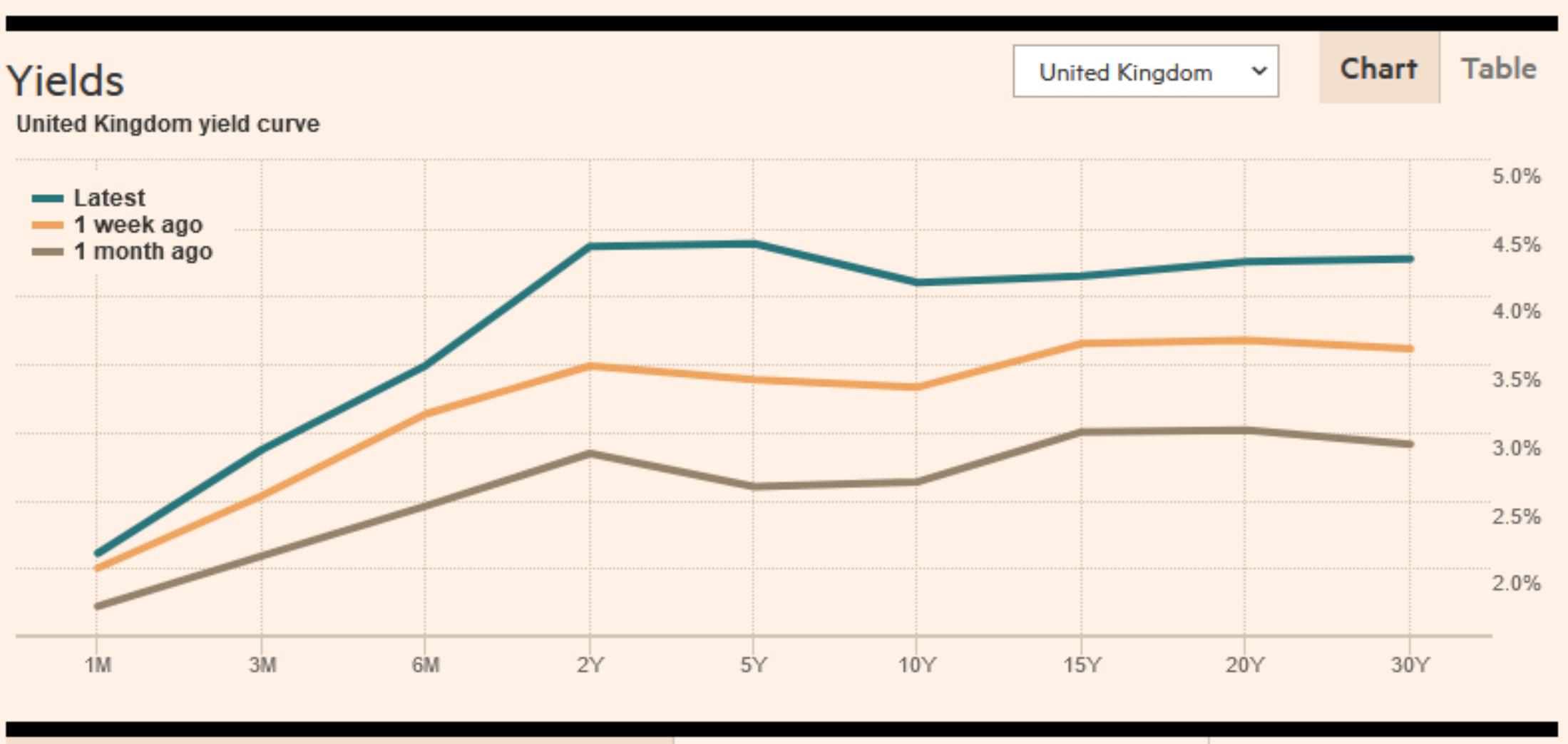
Tax cuts £45 billion

- Top tax rate (45%) abolished (April 2023)
- Basic rate cut to 19%
- April 2022 rise in NI of 1.25% reversed
- Stamp duty threshold up (£425,000)
- Bankers’ bonus limit scrapped

£60 billion to cap energy prices

Freeze on energy bills (price cap around £2,500 per year,) for 2 years from Oct 2022.

Immediate impact on interest rates...



Source: <https://markets.ft.com/data/bonds> - about 4pm 28 September 2022.

“The chapter on the Fall of the Rupee you may omit. It is somewhat too sensational.”

Oscar Wilde, *The Importance of Being Earnest*



Chris Giles and George Parker,
“How Significant is the sterling crisis?”,
The Financial Times, Sept. 26, 2022.

The Bank of England steps in 28 Sept 2022



“whatever scale is necessary” to stabilise gilts market

- £65 billion to buy up long term bonds - £5 billion per day
- Run on pension schemes gilt prices fell: a problem in so-called “liability-driven investment derivatives”. Pension schemes used these to “reach for yield” when interest rates were low, but led to damaging exposure with gilt prices fell.

3/ The New Trump Disorder: Bifurcation – the AI boom, bubbly stocks, inflation and the Fed

“Liberation Day”, 2 April 2025

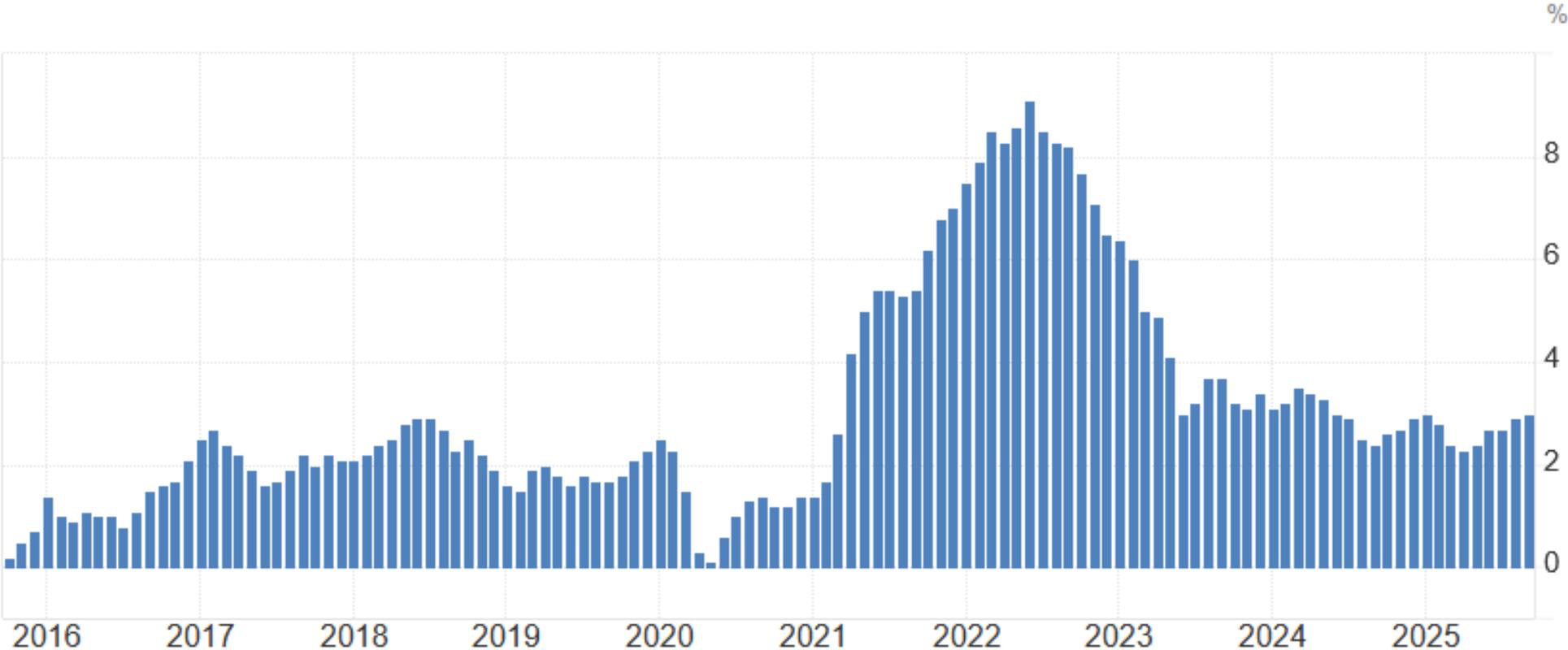


Tariffs charged to US: 39%

Discounted EU tariff: 20%

All false: according to the [EU Commission \(Feb 2025\)](#), there is no “absolute rate”. But the value of tariffs collected by both partners is about 1% of trade flows.

The US inflation rate

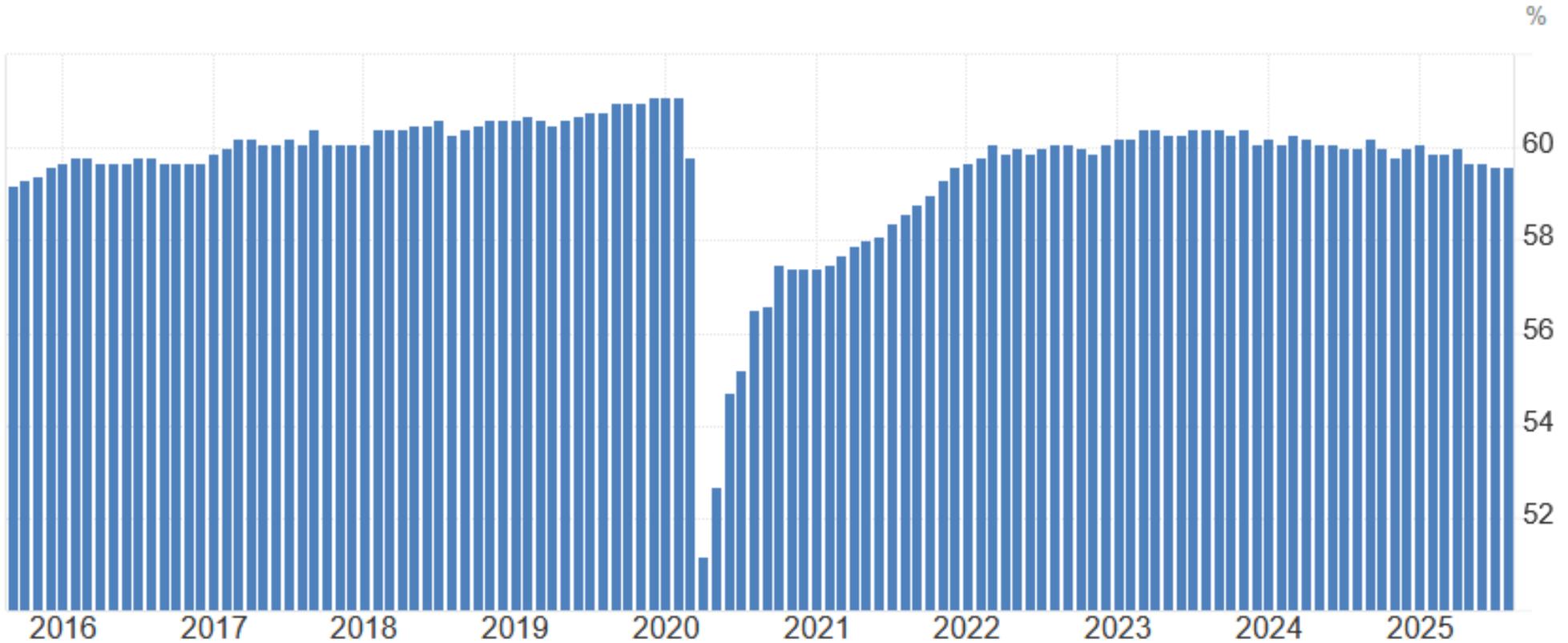


U.S. Bureau of Labor Statistics

Value Chg

Source: Trading Economics, <https://tradingeconomics.com/united-states/inflation-cpi> 13 November 2025

US Employment Rate



U.S. Bureau of Labor Statistics

Value Chg

Source: Trading Economics, <https://tradingeconomics.com/united-states/employment-rate> 13/11/2025

Powell under pressure



How did Trump's visit with Fed Chair Powell go?

Tech stocks are booming, but worries



Chicago Options - Delayed Quote - USD

CBOE Volatility Index (^VIX) ☆ Follow

17.94 +0.43 (+2.45%)

At close: 4:43:31 AM EST



Previous Close	17.51	Volume	0	52 Week Range	12.70 - 60.13
Open	17.61	Day's Range	17.51 - 18.06	Avg. Volume	0

The ever-rising march of Wall Street

SNP - Free Realtime Quote • USD

S&P 500 (^GSPC) ☆ Suivre

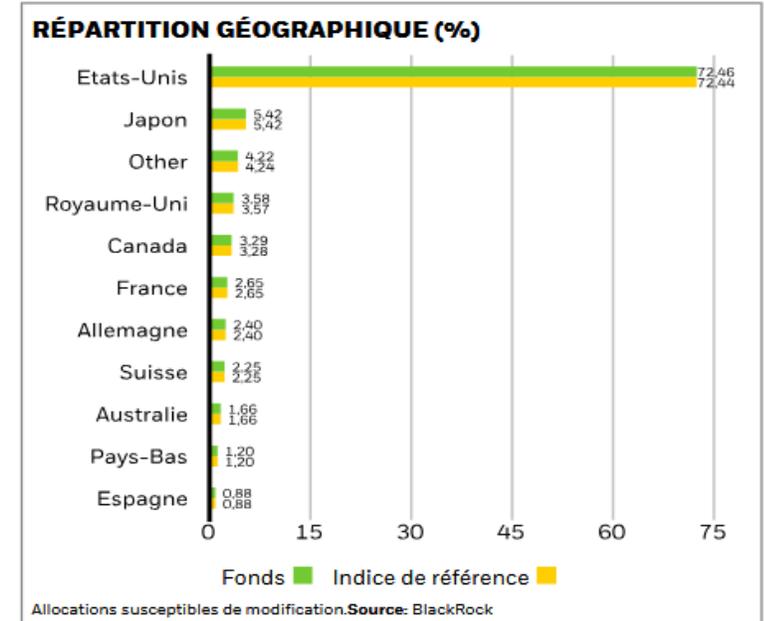
6 820,19 -30,73 (-0,45 %)

09:32:28 UTC-5. Marché ouvert.



Dernière clôture	6 850,92	Volume	100 503 135	Var. année	4 835,04 - 6 920,34
Ouverture	6 826,47	Var. jour	6 816,63 - 6 826,47	Volume moyen	5 340 607 812

iShares Developed World Index Fund ISIN IE00BDONCN62



PRINCIPALES 10 POSITIONS (%)

NVIDIA CORP	5,65 %
APPLE INC	4,72 %
MICROSOFT CORP	4,54 %
AMAZON COM INC	2,60 %
META PLATFORMS INC CLASS A	1,98 %
BROADCOM INC	1,83 %
ALPHABET INC CLASS A	1,76 %
TESLA INC	1,60 %
ALPHABET INC CLASS C	1,49 %
JPMORGAN CHASE & CO	1,09 %
Total du portefeuille	27,26 %

Positions susceptibles de modification.

Source : Yahoo finance, 13 November 2025.

3. Conclusion

Mayra Rodriguez Valladares, "[How Trump's Deregulation Sowed The Seeds For Silicon Valley Bank's Demise](#)", Forbes, March 3, 2023.

“It saddens me greatly that people ignore history. Every couple of years lenders and traders tell me that “this time, it will be different.” *The style of the movie may be different, but the ending is always the same.* Every time bank regulations are eliminated or made lighter, banks proceed to take on more risks and reduce risk identification and measurements. They then implode.”

Final take-outs

- Uncertainty is high (but then I have said this for years ☹️ 😊)
- We still don't know what monetary the post-Covid monetary regime will be exactly and what will happen to CB assets will entail.
- Little financial dominance so far: i.e. central banks being obliged to undertake more expansionary policies for fear of financial instability.
- Trump II > drive to de-regulation.
- Possible liquidity risks in the system (“accidents will happen”)
- Credit and debt drive capitalism
- The lure of lucre is inexorable

There will always be financial crises.

