SVB and Beyond:
Regulating for liquidity

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Under stress, the mobility of deposits has increased.
A weakened bank meeting liquidity regulations can’t protect depositors

LCR assumes 25% or 40% outflow under stress.
Novel technologies increase the mobility of deposits

Figure: Totals for Bank of America, JPMorgan Chase, and Wells Fargo. Source: Jason M. Goldberg, Barclays, May 2023.
Under realistic assumptions for deposit outflows, the requirement to back outflows with HQLA would trap large amounts of safe liquid assets.
Increase outflow assumptions and count Fed liquidity toward coverage

Assets
- HQLA 300
- loans pre-positioned at the Window 650
- other loans 650

Debt
- wholesale deposits 900
- insured deposits 300
- bonds 300

Assume 100% outflow under stress.

Nelson (2023)