

# Ending Too Big To Fail “The Minneapolis Plan”

The Economic Club of New York  
November 16, 2016



FEDERAL RESERVE BANK *of* MINNEAPOLIS



# Evaluating the Minneapolis Plan

	<b>Chance of Bailout (next 100 years)</b>	<b>Total Cost (% of GDP)</b>
2007 Regulations	84%	0%
Current Regulations	67%	11%
Minneapolis Plan		
• Step 1	39%	24%
• Step 2	$\geq 9\%$	$\leq 41\%$
<i>Typical Cost of a Banking Crisis</i>		<i>158%</i>



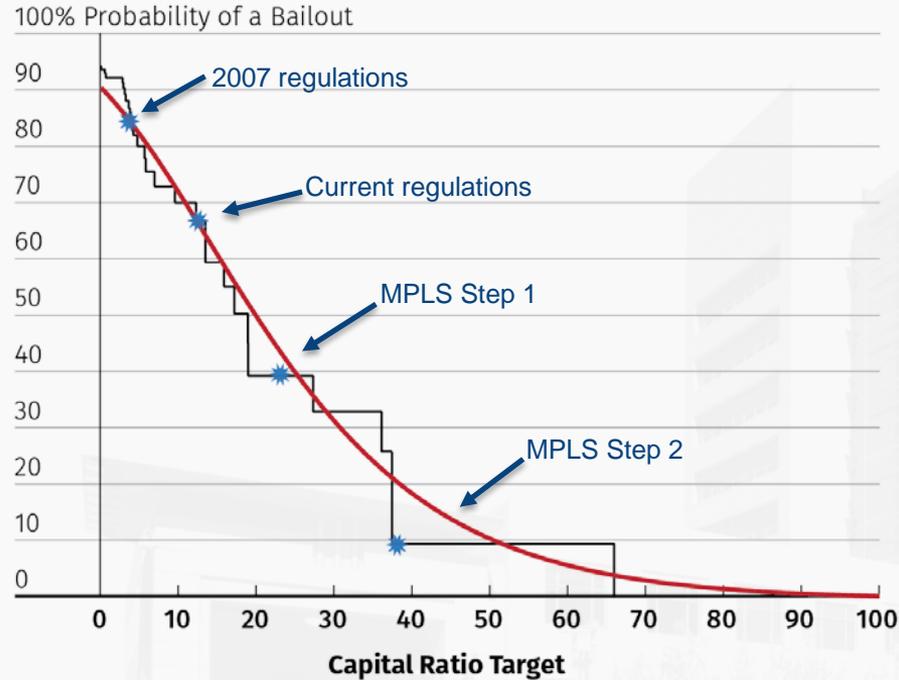
# The Minneapolis Plan

	<b>Minneapolis Plan</b>	<b>Current Regulations</b>
Step 1: Increase equity capital for large banks	23.5%	13.0%
Step 2: Treasury to certify banks no longer TBTF or automatically increase capital requirements	Up to 38%	NA
Step 3: Shadow bank tax	1.2% - 2.2%	NA
Step 4: Reduce regulations on community banks	Yes	NA



# Calculating Bailout Odds: IMF Data

## Probability of a Bailout in the Next 100 Years



Source: Calculations by the Federal Reserve Bank of Minneapolis