Title: Big banks can save us all: regulation of global systemically important banks set to aid real economy in crisis.

As Chair of European Central Bank's Supervisory Board said during the coronavirus outbreak, 'unlike in the 2008 financial crisis, banks are not the source of the problem this time. But we need to ensure that they can be part of the solution.' This research project focuses exactly on the issue how to regulate the most influential global systemically important banks (G-SIBs) in order to allow them to be a part of this solution, so that they can aid real economy in crisis without being forced into excessive loss-bearing or giving up on preservation of financial stability.

G-SIBs are internationally active, large, complex and interconnected banks, that have emerged in the 20th century mostly in the US and in Europe on the wave of globalization, innovation and redefinition of banking services. Regardless what people may think of big banks, they undeniably play an important role in global economy and regulation of such institutions both in the US and in Europe is of utmost relevance. It was especially visible during the past financial crises, such as Great Depression and Global Financial Crisis (GFC), and it is also very clear today, when we are experiencing coronavirus pandemic. However, Great Depression and GFC revealed different regulatory loopholes than the current crisis. As both of these previous downturns originated in the financial sector, regulators and supervisors focused on creating a prudential framework of preventive laws, that should ensure that G-SIBs will not 'break the world economy' again. US Banking Act after Great Depression, post-GFC Dodd-Frank Act, EU regulations and directives on capital, resolution and supervision – all these acts focused on preventing the next crises and maintaining financial stability. In turn, the Coronavirus Crisis originated in the real economy, as it forced entrepreneurs to suspend their operations and workers to stay at home. Now G-SIBs are supposed to help mitigate the impact of it on businesses and people. Regulators and supervisors are rolling back capital requirements, suspending stress tests, allowing banks to lend to risky borrowers, all in order to facilitate the capital flow and aid real economy. Their uncoordinated, chaotic actions introduce uncertainty and confusion to the banking sector. This is the loophole omitted after previous crises – it was neglected that the regulation also has to be tailored in a way to allow G-SIBs to transfer monetary stimulus to the real economy, without relying on hectic ad-hoc actions of regulators and supervisors that we are observing now. Thus, the goal of my project will be to close that loophole by formulating recommendations for amendments of the US and EU legal regimes, that would allow the regulation to fulfil both its preventive and crisis-mitigating functions.

In order to arrive at that result, the research work will be divided into three main stages. Firstly, to provide a background for further analysis, the history, functioning and general economic role of G-SIBs will be examined. The focus will be on the American and European institutions, as they constitute majority of G-SIBs, as designated by the Financial Stability Board. Secondly, G-SIBs' operations and role during three most severe economic crises (Great Depression, Global Financial Crisis, Coronavirus Crisis) should be subject to analysis, particularly their efforts and opportunities to aid real economy. Last stage will be divided into two parts. Initially, legal provisions and supervisory actions undertaken during these downturns will be identified and assessed from the perspective of their ability to facilitate aiding real economy and to preserve financial stability. This phase will focus on US and European legal regimes, depending on the crisis considered – for Great Depression it will be US laws and provisions from European countries that the G-SIBs stem from (Germany, France, UK, Netherlands), in the context of the GFC American laws and EU law, as well as elements of Swiss law will be considered. In case of current crisis, provisions from the US, EU, and some elements of Swiss and British legal solutions shall be described. Lastly, the second part of this research stage will encompass formulating recommendations on the basis of analysis of G-SIBs' role during said crises, as well as of assessment of binding rules and supervisory actions.

Due to both historically (different crises throughout time) and geographically (USA, Europe) comparative character of this project, I expect to be able to draft realistic, valuable recommendations for amendment of binding regulation of G-SIBs. Hopefully, when regulators and supervisors take into account not only financial stability, but also G-SIBs' potential to save real economy, the next crisis will really be milder than the current one, regardless if originating in financial sector or triggered by other factors that we are not able to predict now.