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2002 *Journal of Financial Intermediation* and Federal Reserve Bank of Boston Symposium

The Impact of Economic Slowdowns on Financial Institutions and their Regulators

The 1990 recession had a significant impact on the financial landscape both in the United States and in the rest of the world. Large numbers of financial institutions failed, problems in the financial sector reduced credit availability to the real economy, and the recovery from the recession was unusually slow. Are future economic slowdowns likely to have a similar impact on the financial services industry? How are economic slowdowns likely to affect bank financial condition, bank risk management, and bank and financial holding company supervision? After a decade of rapid economic growth in the United States, much has changed in both how financial institutions manage risk and how financial regulators evaluate the risk and financial health of financial institutions. Financial institutions are better capitalized, larger, and better diversified, extend over greater geographic regions and product lines, and have benefited from improvements in information technology. Approaches to supervision have also changed. In the United States, bank supervisors have reduced the number of field examiners despite supervising larger and more complicated financial institutions. They are also frequently supervising under a regulatory environment much different from that of the 1980s and early 1990s. Prompt corrective action legislation and the introduction of financial holding companies, with bank, insurance, and investment bank subsidiaries, and the movement toward more risk-based supervision have changed the regulatory environment. In addition, financial institutions worldwide are preparing for the introduction of the new Basel Capital Accord.

The conference organizers are soliciting papers that will address the impact of future economic slowdowns on the financial service industry and financial service regulation. Areas of interest include, but are not limited to, the following:

1. Have improvements in the financial condition of banks and improvements in risk management better insulated financial institutions from economic slowdowns?
2. How are changes in risk management affecting banks' susceptibility to the business cycle?

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3. How effective will the bank regulations adopted since the early 1990s, as well as changes currently underway with the Basel Accord, be in preventing widespread bank failures?

4. What are the pros and cons of deemphasizing the role of bank supervisors in supervising complex financial institutions?

5. Has the reduction in bank supervisors over the past decade reduced the capabilities of supervisors to address future banking problems?

6. How do business cycles—and economic slowdowns in particular—affect financial institutions and how they are regulated?

The 2002 *JFI* Symposium will be held on April 17–19, 2002, at the Federal Reserve Bank of Boston, Boston, Massachusetts, and will be sponsored jointly by the Research and Bank Supervision and Regulation Departments. There is no charge for submitting papers to the symposium. Papers submitted to the symposium may also be submitted to *JFI* for consideration for publication. If you wish to have your paper considered simultaneously for publication in *JFI*, please indicate so and enclose a check for the reduced submission fee of $70 made out to *Journal of Financial Intermediation*. The coeditors for this issue of *JFI* will be Eric Rosengren and Lynn Browne. Conference organizers will provide accommodations and travel expenses (subject to prespecified limits) to authors whose papers are selected for the program.

Five copies of the paper should be sent by October 20, 2001, to:

Eric Rosengren
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02067

If in addition to submitting your paper to the conference you are also submitting it to *JFI*, please send an additional copy to Professor Anjan Thakor, University of Michigan Business School, Ann Arbor, Michigan 48109. Please indicate that the paper is being submitted in conjunction with the conference. The same reviewing standards used for regular *JFI* submissions will be used for papers submitted to *JFI* in conjunction with the conference.

Please visit the *JFI* Web site at http://www.bus.umich.edu/jfi/.