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**Roundtable Paper “The Procyclical versus Countercyclical Policy Effects on
Financial Markets”**

WASHINGTON –August 18, 2011—The Financial Services Roundtable today released its most recent Cluff Fund report, “The Procyclical versus Countercyclical Policy Effects on Financial Markets,” authored by Drs. Bill Longbrake and Clifford Rossi.

The authors concluded that procyclical policies negatively impact innovation and economic growth by exaggerating the ups and downs of business cycles.

“During times of crisis, sometimes the desire to make the system safer can override economic concerns,” said Steve Bartlett, President and CEO for The Financial Services Roundtable. “The countercyclical improvements presented in this paper provide policymakers with suggestions to improve financial markets and encourage economic growth.”

The study focuses on, and makes recommendations for the following issues:

- **Coordination.** Regulators should *coordinate* to mitigate procyclical impacts.
- **Accountability.** Regulators should *be accountable* for mitigating procyclical impacts.
- **Regulatory Capital Requirements.** Regulators should study the potential consequences of the proposed Basel III capital requirements for lending and economic growth and analyze countercyclical alternatives.
- **Liquidity Requirements.** The Basel Committee on Banking Supervision and U.S. regulators should evaluate potential significant unintended consequences of the two proposed required liquidity ratios and should

either revise the ratios to mitigate such consequences or replace the ratios with supervisory guidelines.

- **Fair Value Accounting Rules.** The U.S. Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) should continue to work toward harmonizing US and international fair value accounting (FVA) principles, and in doing so, should be attentive to mitigating potential procyclical impacts.

The paper can be found online at: <http://bit.ly/pBQGGa>

The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO.

Roundtable member companies provide fuel for America's economic engine, accounting directly for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs.

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