

Effects of Technology on Banking Operations

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When the bank grants a loan, it selects clients, channels funds from investors to clients with the best return-to-risk ratio, and then monitors them. Banks are more efficient in selecting and monitoring customers by the savings of scope conferred by a banking relationship. A single credit analysis subsidizes the offering of various products, diluting their costs, and the relationship itself makes credit analysis cheaper, as it generates, at virtually no cost, useful information such as the history of payments and the use of credit lines.

However, the cost of building a banking relationship is sunk. After all, by the nature of the information, stealthy or unverifiable, the bank can not offer a relationship with a customer, even if its competitors were willing to buy and they would not. It is a classic result that if the price reflects the buyer's uncertainties about the quality of the merchandise, the seller has an incentive to sell the worst quality goods, leading the market to a balance in which there is only a market for the worst known mechanism known as adverse selection.

Sunk costs are a barrier to entry and soften the competition. A potential entrant needs at least enough profits to cover sunk costs – the only way to get them back. Thus, the larger the volume of these costs, the greater the risk of the entrant. Consequently, a market whose access to sunk costs is less threatened by potential entrants. In the case of banks, the sunk cost of building relationships has yet another deleterious role in the spread.

Banks create liquidity, turning illiquid assets into more liquid financial instruments. Naturally, in order to create liquidity and to be covered by the service, the asset must have no original liquidity. The asset in question is the loans originated by the bank. The illiquidity of its secondary markets is caused by the fact that the bank that originated them has more knowledge about them than potential buyers. Again, an adverse selection mechanism kicks in, and the market loses liquidity, requiring large rebates from the seller.

Technological innovations have the potential to mitigate adverse selection and thus intensify competition in the banking sector. In this sense, it is possible to speculate the potential of a credit analysis that incorporates information such as the profile in social networks and the movement history as given by the GPS of the smartphone and generates a rating through an algorithm developed with millions of observations. It is natural to conjecture that the average relationship manager would have no advantage over an automated decision, in addition to implying a higher cost over time.

Even without such a comprehensive credit analysis service, it is now possible to build competitive models of financial intermediation that are less dependent on relationships and, therefore, have lower sunk costs and fewer barriers to entry. The proliferation of distribution platforms is an example.

Today, it is possible for small and medium-sized banks to capture retail funds, even without any other kind of relationship with the investor. Likewise, it is possible to invest in funds backed by credit operations or even grant credit directly on so-called peer-to-peer platforms.

The relationship can be replaced by a rating. After all, to paraphrase a popular slant in the crisis, the German regional bank would not buy a credit derivative tied to the American real estate market if it were not endorsed by an investment grade rating. The coverage of the rating agencies, in turn, depends on the cost of obtaining information, which has fallen enormously thanks to technology. The three largest credit bureaus in the United States have more than one billion records each, a figure difficult to imagine without the advancements in information technology.

With more information, the secondary loan market becomes more liquid, which reduces the bank spread by two channels. Part of the spread is the bank's remuneration for the liquidity risk that the client transfers to it. The lower the risk, the lower the spread. In addition, there is the "Tostines effect": is the market liquid because it has more participants or has more participants because it is liquid? In other words, the liquidity of the market makes it attractive to a wider range of participants, pushing the spread through greater competition. The graph below shows how there is a negative relationship between the percentage of assets of nonbank financial institutions as a percentage of GDP and the banking spread.

To boost this dynamic, public policies can be seen in two dimensions: clearing the flow of information for credit bureaus, as was done with the positive register, and modulating regulation so that there is a regulatory "sandbox" in which new entrants can test new small-scale business models before fully incurring the compliance costs, which are necessary, but sunk. In relation to this last point, measures that emphasize segmentation and proportionality to the regulatory framework are very welcome.

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Fintechs: How New Business Models and Technologies Are Promoting Creative Destruction

12/27/2016 / BRENNER LOPES / 2 COMMENTS

In the view of the World Bank, which measures global financial inclusion annually through its Global Findex, having an account that allows adults to save money and make payments is key to poverty eradication. In addition, according to the institution, greater access to the financial system can boost job creation and increase investment in education.

According to IBGE data, approximately 42% of Brazilian adults do not have a bank account. In the business world, it is possible to see clearly the unsatisfactory access of credit for micro and small enterprises to credit and other financial services. According to Sebrae's research, 30% of small businesses do not have any relationship with banks. If we think about informal businesses, which have significant statistics in our country, this access does not exist, at least within its more traditional context.

It seems that new technologies, coupled with new business models, have found an alternative with the potential to subvert the entire logic of access to financial services and to scratch the term "undiscounted" from the map. We are talking about fintechs (financial technology).

Fintechs have emerged in the wake of innovations and advances in information technology, such as cloud computing, big data, and mobile technology, among others, mainly exploring niches that banks have not satisfactorily served. Many of these people and companies that are targeting fintechs do not consume financial services. Because they had no history, they also had no access to credit or simply had restricted access to these and other services.

In addition, fintechs have also picked up on issues that are increasingly relevant to consumers and which tend to hold and deepen. One of these points is convenience. So, we worry about the opening and closing times of traditional banks. When can we have access and service at any time by smartphone? Another point is the economy: does it make sense to pay the level of fees currently charged by traditional financial institutions?

Another relevant point is the possibility for the financial institution to have a more accurate profile analysis. Why be subject to a partial analysis based on data from the credit information services and its history of relationship with financial institutions when the analysis of several databases, including information on social networks and e-commerce sites, with tools capable of crossing and interpreting thousands of data and information about a particular person or company, approving or not approving your credit application in just a few minutes?

With the rapid expansion of the smartphone market and internet access, two key points on which fintech's business model is supported, one can deduce that the growth potential of this market is exponential, with the ability to reach people and small enterprises that would possibly never have access to financial services through traditional channels. This scenario is even clearer in light of the launch of ultra-low-cost smartphones such as the \$ 4 Indian device or Amazon's \$ 50 smartphone.

In this context, the consulting firm Nous SenseMaking [1] carried out a survey with the objective of identifying fintechs in Brazil. Based on information from the representative institutions of these

organizations and news related to the topic, the company created a database of the fintechs of Brazil, concatenating information such as name, business segment, opening time and so on. It is worth noting that, as this is a market characterized by startups, this number can undergo changes in a short time. As a reference, the information collection was carried out from July 18 to 29, 2016.

According to this survey, there are 168 fintechs in Brazil. Excluding 12 companies that did not have their state of origin found, 88% of the Brazilian fintechs are based in the states of Southeast Brazil, with 66% registered in São Paulo, 12% in Rio de Janeiro, 9% in Minas Gerais and 1% in Espírito Santo. The states of the South region appear next: Santa Catarina accounts for 3% of the registered companies, and Rio Grande do Sul and Paraná account for 2% each. Although these companies are headquartered mainly in the Southeast and South, they have their headquarters in 12 Brazilian states. Outside these two regions, Sergipe, Ceará, Alagoas, Goiás and the Federal District have fintechs. About 5% of fintechs operating in Brazil originate in other countries, such as South Africa, Germany, USA, France, Luxembourg and Poland.

One-third of these 168 companies operate in the payment segment [2]. The financial management segment is the second largest among Brazilian fintechs, with 18%, followed by the loan and debt negotiation segments (14%). The least significant segment in Brazil, for the moment, is that of Bitcoin and Blockchain, with 3% of the companies. In spite of this timid presence, it is precisely in Blockchain companies that the greatest impact is expected in the future of banks and even on other fronts and businesses, such as foreclosure services.

The survey also shows that the vast majority of these companies are less than 5 years old. Approximately 60% of them began their activities in 2012, with 2013 being the year of the greatest opening of fintech, with 20% of all companies in the segment in the country. One of the most striking facts is that, in spite of being young, they are companies that have attracted a considerable volume of resources, not only from banks and investment funds but also from non-competing sectors of banks or insurance companies, as technology, e-commerce, telecommunications, infrastructure providers, among others.

A relevant issue is that most FinTechs in Brazil are not characterized as financial activity, insurance and related services, according to their registered National Classification of Economic Activities (CNAE). The 168 companies identified are divided into 38 distinct economic activities, with only 12 of them classified as financial, insurance and related services activities. This may explain why, for the most part, they are not under Central Bank regulation. According to the survey, 9.5% are classified as “development and licensing of customizable computer programs”, 7.1% as “development and custom computer programs”, and 6.5% as “portals, content providers and other information services on the internet. ”

With this, they are able to advance in the market in a subtle, fast and without any conditions of grouping, at least in the context of the official classifications of economic activities, becoming a powerful player still without form and of difficult identification. On the one hand, this status gives

more flexibility to these companies, but it is certain that the pressure for more regulation will remain strong. No matter how understandable a search for norms and laws that bring more security and confidence to the sector, care must be taken that these changes do not become barriers to entry and innovation, which are so important in our times.

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[1] Editor's note: Brenner Lopes is a partner of the company cited.

[2] Here, the segmentation proposed by FintechLab was used.

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The banks' response to the fintech competition

9/29/2016 / VANESSA SANTOS / 1 COMMENT

As discussed previously in the blog, the phenomenon of fintechs, startups in technology in financial services, is progressing more and more in the international market and in Brazil. Traditional banks are responding globally to the phenomenon, both by acquiring companies and by developing their own digital platforms to deliver services, particularly to the young and more eager for agility and convenience – at lower costs.

In Brazil, Bradesco and Banco do Brasil presented, as their latest response, the new Digio card, aimed at exploring the previously captive Nubank market. Using the credit card model with features via the application, Digio also provides interest rates lower than the average for traditional cards but has no queue, which could generate strong initial growth in accessions. The move may make Nubank rethink its longer credit rating strategy and call-to-compete approach.

As an advantage, Digio has the market know-how of strong banks, such as Bradesco and Banco do Brasil. It remains to be seen, however, whether it will be able to exploit the growing demand for purely online financial services and more flexibly delivered, such as Nubank's proposal. In any case, the consumer wins, who will have, at his disposal, the good old pressure of the competition that

drives up the quality of services and low transaction rates. The Central Bank itself has already expressed its view on “encouraging the development of these new technologies in the financial market, as this may stimulate competition in the market, which impacts its efficiency and enables products to be offered at lower prices to customers, reaching the largest share of the population. ”

However, there is still a wide range of demands for flexibility in services that banks, startups, and fintechs need to explore. Complaints from consumers about more efficient forms of banking relationships and more solutions to day-to-day banking are constantly being presented. This is the case of Monepp, an application with initial action in Venezuela that has just arrived in Brazil. Simply put, the app aims to broker the practice of buying and selling foreign currency. The app is already preparing to face wide regulatory pressure since experts in the area understand that what the application calls “currency trading” would, in fact, be an exchange transaction by an unauthorized agent, and without payment due taxes, in the case of Brazil, the IOF. From another perspective, we have the demand for fully digital banks, which has already become a reality in Brazil, as in the case of Banco Original, which is linked to the group and J & F (owner of JBS and Alpargatas). Bradesco.

As pointed out by McKinsey, there are several ways in which banks can explore niche markets or partnerships with startups. Banks need to look beyond the speculative boom generated by fintechs, rethink the untapped market niches, and build (or buy) the capabilities relevant to a digital future.

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The end of the Banks?

6/30/2016 / VANESSA SANTOS / 1 COMMENT

In a previous post, we explored the emergence of fintechs and showed how these companies exploit digital advancements to gain space in the traditional, expensive and bureaucratic banking system. But to what extent will these startups be able to make progress in such a consolidated market?

Fintechs have proved capable both of carrying out trades traditionally made by banks and financial agents and of responding to customer demand for faster, cheaper and better quality customer service. The customer gains by the expansion in the offer (since it is not restricted to the provision of services only by the bank of which it is traded) and by the provision of more personalized services – fintechs are champions in the use of big data, which allows them to understand and foresee the real needs of its customers.

Take Transfewise, for example, founded by Estonians Taavet Hinrikus and Kristo Käärmann. The

service is described as a peer-to-peer lending or point-to-point loan. Suppose Antonio wants to transfer resources from Brazil to England, while James wants to transfer resources from England to Brazil. The application performs two domestic transactions instead of two international transactions as follows: it withdraws the money from Antônio's account in Brazil and transfers it to the account that James wants to access in Brazil. At the same time, the app withdraws money from James's account in England and transfers it to the account that Anthony accesses in that same country. The service is 90% cheaper than the one charged by banks. As in the international transfer market, many costs of financial operations, previously seen as impossible to overcome, can be reduced through innovative solutions.

Most interestingly, financial institutions, which have decades of market knowledge, could have crossed this technological frontier for many years. Although the banking system has evolved enough to meet the demand for greater agility in transactions (such as Internet banking), banks have not shown themselves to be as active in improving digital interaction with the customer or in offering alternatives and cheaper services for usual transactions. And very few of them are, in fact, digital banks. Instead of being able to innovate in providing services by advancing digital tools, they followed the traditional – and expensive – ways of providing financial services. The result? They are facing the stark competition of startups in a market once seen as oligopolies and with huge barriers to entry.

The market for fintechs is, in fact, enormous when you think of the myriad of financial services and fees paid for each type of transaction that takes place in banks – loans, insurance, foreign exchange purchases, international transfers, etc. People today are much less reluctant to trust their money and their data to major technology platforms. If five years ago, only 1% of people trusted these companies, that rate now stands at 20%, which is a significant growth, according to The Future of Finance Report. The same report points out that a relevant group of the population surveyed expect to do all their financial activities through a fintech in the future.

In recent years, there has been a significant increase in the volume of transactions made by technology companies, such as startup Sofi, which operates not only in student financing but also in real estate in the United States. However, fintechs are still small in relation to the total resources in the financial system. Moreover, even though these companies increase their participation in customary transactions, this money is still moved by the inflow and outflow of funds stored in banks. In other words, no matter how many new players we have on the market, this does not necessarily mean unbanking or eliminating banks.

Despite the growing reliance on applications for the realization of punctual or daily operations of small size, it is still difficult to imagine customers depositing thousands of dollars in startups. The question remains: will banks be able to remain as bastions of resources or just as an infrastructure on which fintechs will act? It is also possible that fintechs follow the trend of the technology sector, with the emergence of a platform that dominates the digital financial market (as is the case of Google, Facebook, Amazon and Uber in other sectors) services, in a quasi-bank model (or digital bank). The difficult thing is to predict whether this will result from the emergence of a new player in the market

or from some consolidation movement among existing companies.

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Meet the fintech: the startups that should already be on your cell phone

03/22/2016 / VANESSA SANTOS / 1 COMMENT

Silicon Valley is coming.

With the above phrase, JP Morgan Chase CEO Jamie Dimon referred to fintechs, new financial technology companies that are revolutionizing the financial system. These startups exploit the digital revolution to provide financial services with flexibility and with the convenience of a service that has as only an intermediary the smartphone. The absence of a physical service structure makes it possible to provide resources at lower rates than those charged by traditional intermediaries.

These companies have succeeded in attracting massively young people, who are their target audience, precisely because of their aversion to the bureaucracy of agencies and banks. The result of this phenomenon is the frightening growth of fintechs: in 2014, contributions in these companies were over \$ 12 billion, triple the volume registered the previous year.

Chart 1: Global investments in fintech

investment-in-fintech

Source: Accenture, 2015.

Fintechs go far beyond the traditional banking market, with the provision of funds in a variety of ways, such as Small Business Loan (OnDeck), peer-to-peer (Venmo) and crowdfunding (Kickstarter). Among the Brazilian highlights is Nubank: created in 2014, the startup offers international credit card service without an annuity, with all control and relationships made through its application. The company received more than \$ 200 million in its fourth contribution and already has more than 1.5 million people on the waiting list to receive the card.

It is not yet known, however, whether the services provided by fintechs such as Nubank will be complementary to or substitutes for traditional financial services. In the younger group, who usually face complex financial issues, the performance is expressive. Recently announced initiatives, such as the possible structuring of a miles program, signal interest in gaining space among higher-income

customers, but it is not yet clear whether the startup will be able to meet the more sophisticated and resource-intensive demands of these customers as well. It is likely that experience with younger users can generate sufficient inputs for a stronger advance towards more mature customers in the future.

Important questions about how to regulate and supervise these companies remain open in Brazil and around the world, which also carry with them the risks inherent in any financial activity. In addition, even with a market still in growth, some startups have already started the opposite way, with total sales or participation for banks.

The merger, however, seems mutually beneficial, as it implies robust input and access to customer profile information for startups. On the bank's side, the possibilities for innovation in the provision of services provided by mobile devices grow. For users, the very existence of fintechs in a concentrated banking system such as the Brazilian can bring benefits, such as a race to provide cheaper and better quality services.

How has the role of banks within the financial services industry changed?

The Brazilian banking sector has undergone profound transformations over the last 15 years. With the end of the high inflation, after the successful implementation of the Real Plan, the industry experienced a process of consolidation, in which mergers and acquisitions showed not only an increase in concentration but also a reduction in the importance of public banks both in terms of number of institutions and in terms of market share. An important element in the structural change in the Brazilian banking sector was the entry of foreign banks in 1997, which generated an expectation of increasing the efficiency of the sector together with the reduction of the high spreads charged by Brazilian banks in their credit operations, which were (and still are) among the largest in the world (Silva et al ., 2007, p.120).

Despite the optimistic expectations regarding the supposed beneficial effects of the reduction of the state presence in the banking sector and the entry of foreign banks, the process of banking consolidation in Brazil had less than expected results on the credit-to-GDP ratio and the cost of financial intermediation. With regard to bank spreads, after a strong fall from 120% pa in June 1994 to around 60% pa in March 1999, there was a notable stability of these at the level of 40% pa from January 2000. The credit-to-GDP ratio³, in turn, decreased from 35% in June 1994 to about 22% in October 2002. ¹ In other words, an involution of the financial development of the Brazilian economy, partly associated with the macroeconomic instability of the period, was observed in the aforementioned period.

As of 2003, however, there is a significant change in the structure and performance of the Brazilian banking sector. The credit-to-GDP ratio, which had been significantly reduced until the year 2002, began to rise, reaching a 45% mark in July 2009. Regarding the structure of the sector, the process of reducing state participation in the financial sector is reversed with the increase in the participation of public banks in the total credit granted by the Brazilian banking system. In fact, between January 2003 and February 2010, total credit operations of the public financial system rose 415.5% against a

348.1% increase in the private financial system; with regard to credit to the industrial sector, there was an increase of 297.3% in public credit versus 240.5% in the private sector; the volume of public credit to the rural sector is 35% higher than that granted by the private sector; only with regard to operations to individuals and rural households, the expansion of private sector credit exceeds the growth performance of public credit.

This last period is of particular interest in the analysis carried out in this article. The purpose of this article is to analyze the recent evolution of the structure of the Brazilian banking sector and the recent cycle of credit in Brazil, focusing in particular on the performance and role of public banks – in particular, the large federal banks, BNDES, Banco Brazil and CEF. The study's emphasis is on the post-real period and especially on the recent post-2003 credit boom.

An important feature of the banking industry around the world is the concentrated banking sector. This result is due to economies of scale and scope, which allow banks to reduce their costs per unit of output (Baumol et al ., 1982). The presence of economies of scale means that large banks have lower (and average) production costs than small banks. Scope economy, in turn, implies that multiple banks with different products are more efficient than “financial boutiques”. 6 In particular, considering the Brazilian banking market, Silva and Jorge Neto (2002), based on a sample of 59 large banks, analyzed the occurrence of returns of scale in the period 1995-1999. The estimates found show economies of scale occur regardless of the size of the seat.

Even with the authors' caveat that the Brazilian banking sector has space to reduce costs and increase production, the presence of economies of scale is an important variable to explain banking concentration, as well as providing good explanations about the current merger and acquisition in the Brazilian banking sectors on the one hand mergers and acquisitions make banks less vulnerable to isolated shocks or allow the banking system to become more protected from idiosyncratic shocks since large banking conglomerates are generally more diversified; on the other hand, they increase the risk of crises systemic disorders.

Crisis In The Banking Sector

There are now 33% larger banks than in 2000. According to the Federal Deposit Insurance Corporation, there were 182 mergers and 107 consolidations per year from 2001 to 2011.

As a result, the approximately 37 major banks that existed in 1990 today are four major banks: Citigroup, JP Morgan Chase, Bank of America Merrill Lynch and Wells Fargo.

See the diagram posted by the Value Walk website (here in a major version):

One of the recent factors that accelerated this process was the 2008 financial crisis, which killed 5 per cent of small banks, according to a study published by the Conference of State Bank Supervisors (CSBS).

After the crisis came the US government's response in the form of tighter regulation, especially with the passage of the Dodd-Frank Act in 2010, designed to ensure more stability to the industry and avoid the need for government bailouts.

On the left side, there are calls to "dismantle the big banks" that are considered to be systemic risk by law. That's what Bernie Sanders, a pre-candidate on the rise for the nomination of the Democratic Party to the US presidency, wants.

On the right-hand side, there are criticisms that the hundreds of pages of new regulations actually put extra weight on small banks and thus favour large ones, which have more resources to adapt.

"While bank concentration itself is not bad, increasing regulatory burdens should not be the factor for regulatory consolidation. Dodd-Frank is costly for large banks as well, but compliance compliance can be particularly challenging for small banks with limited access to that expertise," says a study at the Mercatus Center at George Mason University.

Adapting to the environment of high inflation and chronic instability has enabled banks to reshape operational strategies quickly. This was the case with the measures taken by banks during the period prior to the entry of the Real Plan, which highlighted the increase in credit operations in 1992 and 1993 (Carvalho and Oliveira, 2002), still under high inflation. 3 The positioning of the leading banks in the retail sector was also aimed at defending their market space and imposing restrictions on the entry of other competitors. Although the barriers to entry into the banking sector highlighted by the World Bank (1990, pp. 31-32) have been those of a normative nature, their nature is broader. In the last years of high inflation, leading retail banks offered irreplaceable services linked to the capillarity of their network, their computing resources and lines of credit that could operate on unpaid or borrowed funds at lower rates than applications. In addition, the successful private banks in the retail segment have made extensive efforts to reduce costs combined with large investments in computerization, which have been associated with the elimination of many jobs. Even the banking stress of 1995/1996 did not reduce banks' profit margins, largely by targeting assets for public securities operations (Paula, 2000) in order to offset poor credit portfolios. The turmoil of the move to low inflation extended the potential market for the large remaining banks, with large competitors falling and federal intervention in the largest state banks.

Change In The Role Of Banks With Crises

International banks reduce proprietary operations in response to regulatory changes

Financial Institutions Volcker and Ring-fencing Rule

Although not completely finalized, the proposals to restructure the banking markets of various jurisdictions are already starting to show noticeable results. With the advances of the Volcker Rule in the US and *ring-fencing* in the UK and the European Union, among other regulations, it is already possible to see that banking institutions have promoted changes in their activities.

According to a report published by the CGFS on 11/21/14, market makers operating in different jurisdictions have shown concern about the effects of prohibiting proprietary trading activities and unbundling of banking activities, as well as restrictions on short selling of public bonds and CDSs (specific to Europe). These measures bring higher observance, *funding* and *hedging* costs – see detail in the annexe -affecting the availability of liquidity in the markets, now increasingly concentrated in a restricted group of assets, and the greater selectivity of the market formation activities of the institutions, both in relation to the beneficiary customers and the selected market segments however, the impacts of these trends are not supposed to be confined to the financial sector. In a study commissioned by AFME and published on 11/27/14, PwC sought to estimate the extent of the costs that would be incurred by European economies on account of such structural reforms. The increase in borrowing costs, the reduction of net returns on investment funds, a higher administrative cost to non-banks and, finally, considerable macroeconomic costs (employment and income) for the European Union countries were pointed out as the main impacts of these changes.

The FSB, on the other hand, has published a report on these structural reforms, highlighting the efforts of jurisdictions to promote greater financial stability on a global scale by reducing systemic risks and implicit guarantees to banks too big to fail. The text, however, points to the uncertainties on cross-border issues (for example, related to the resolution of financial institutions) as outstanding issues that require a quick solution. In addition, it points out that some degree of fragmentation of the banking market on a global scale is not a side effect but an intended consequence of the reforms and is related to the reduction of interconnectivity between financial institutions in different jurisdictions.

In this context, banking institutions have begun to change their practices. Both the previously cited CGFS document and the recent ICMA publication on the European long-term private securities market support this view. These reports document that European and American banks are simultaneously reducing the share of long-term securities (whether private or public) in their balance sheets and the volume of transactions involving such assets, especially in the secondary market. It is, therefore, understood that such banks are restricting their proprietary operations and market formation.

It should be noted that such changes are also consequences of market responses to the latest crisis. Recent changes in market conditions, in particular the increase in liquidity premiums, had a considerable influence on these changes. It is difficult, however, to precisely determine the effects that can be attributed to regulatory changes and those derived from market conditions in a context in which those elements occur simultaneously.

This observation is relevant, as the implementation of structural reforms is still ongoing. In the US case, the Federal Reserve – at the request of market participants – postponed the deadline for the application of restrictions on the operations of banking institutions with *private equity* and *hedge funds* to 07/01/2017 (the original term set by Volcker Rule was 7/21/15). The British *ring-fencing*, in turn, will take effect only in 2019, in harmony with the calendar of Basel III. This is also the date set for the implementation of the European proposal for the restructuring of banking institutions – which, however, has not yet been enacted.