

Press Release



AAF Delves Into Funding Differences For Large and Small Banks

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The American Action Forum (@AAF) today released an analysis of factors surrounding funding differences among financial institutions on the heels of a report by the Government Accountability Office (GAO) that looked at whether large banks receive an implied subsidy. The AAF analysis finds that it is extremely difficult to determine whether an advantage exists and to what degree.

The analysis, authored by Satya Thallam, Director of Financial Services Policy, also found that a variety of economic factors determine the large-small bank funding differential and a funding deferential exists across industries.

“Eliminating (or at least reducing) use of bailouts and their attendant economic distortions in the future is a function of decreasing discretion: the more policymakers can tie their hands in a time of crisis, adhere to rules-based policy, and provide a credible procedure for the resolution of firms, the more appropriately markets will price funds to reflect economic risk,” concludes Thallam.