



BANK OF ENGLAND

Remarks given as a discussant of

**“Pass through Efficiency in the Fed’s new Monetary Policy Setting”  
by Darell Duffie and Arvind Krishnamurthy**

Minouche Shafik

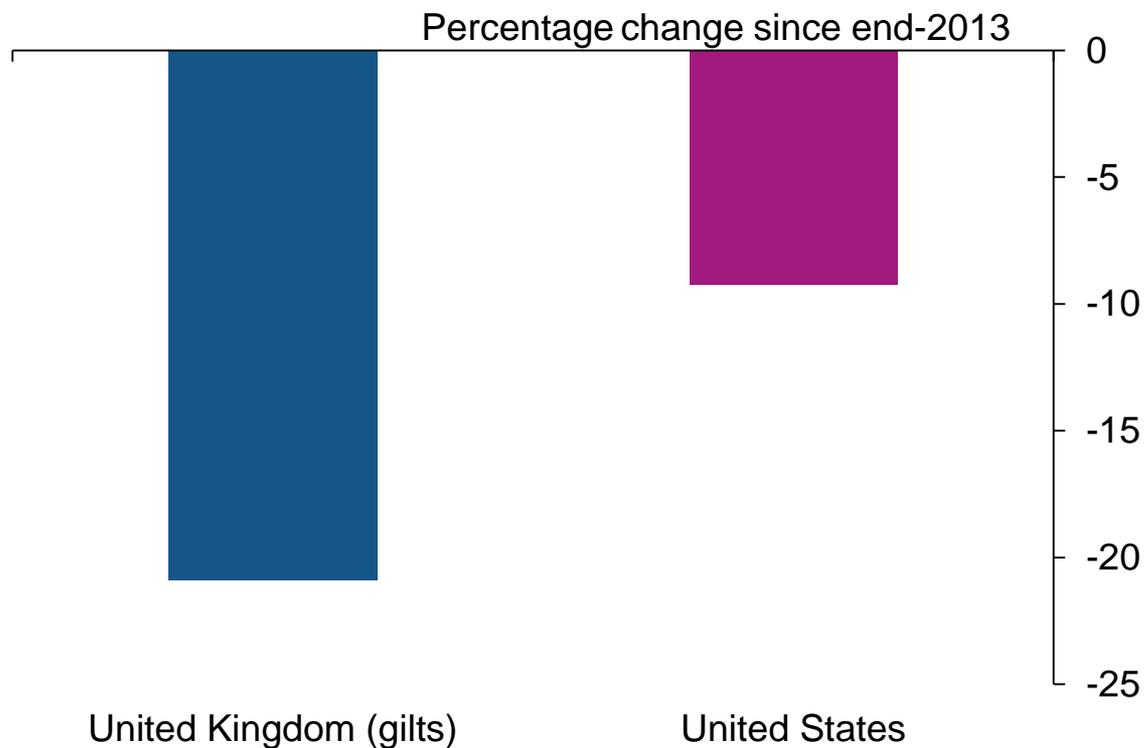
At Federal Reserve Bank of Kansas City Economic Symposium

Jackson Hole

26<sup>th</sup> August 2016



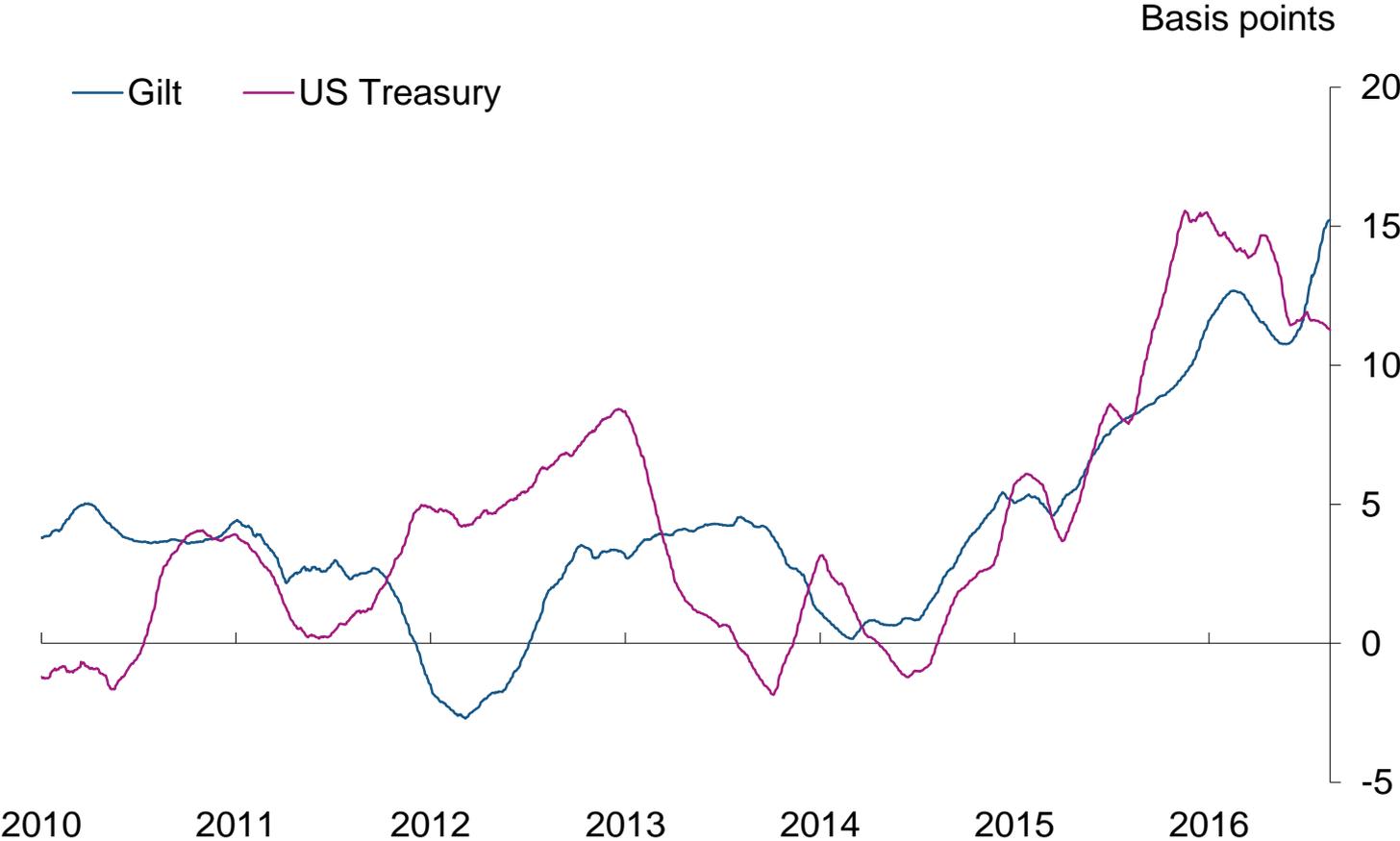
# Chart 1 – Change in Repo market activity since 2013



- Global repo market activity has declined

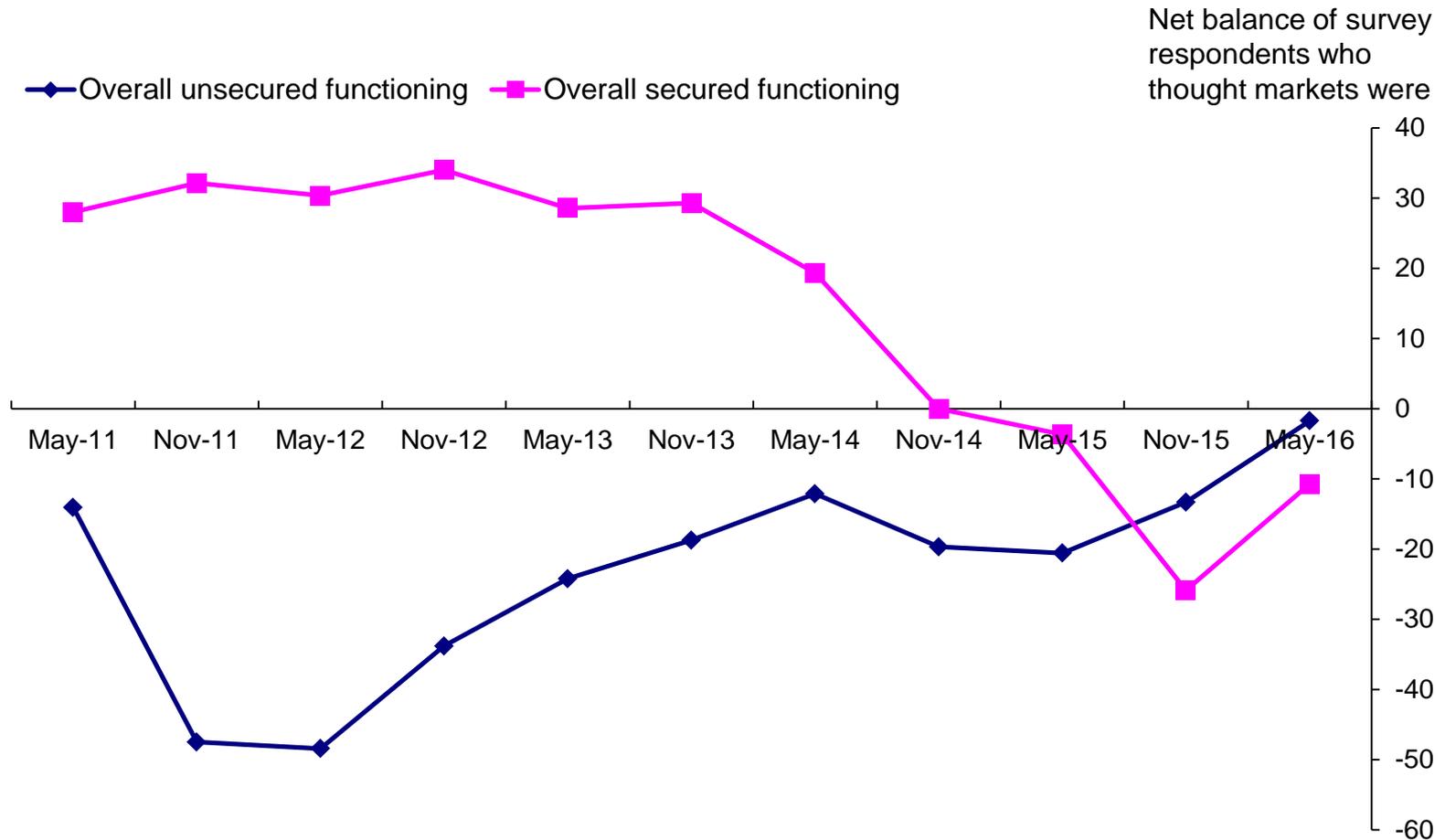
# Chart 2 – Spread between Repo rates and OIS rates

Indicative 3-month gilt repo and US Treasury repo spreads to 3-month OIS



- The cost of repo has risen

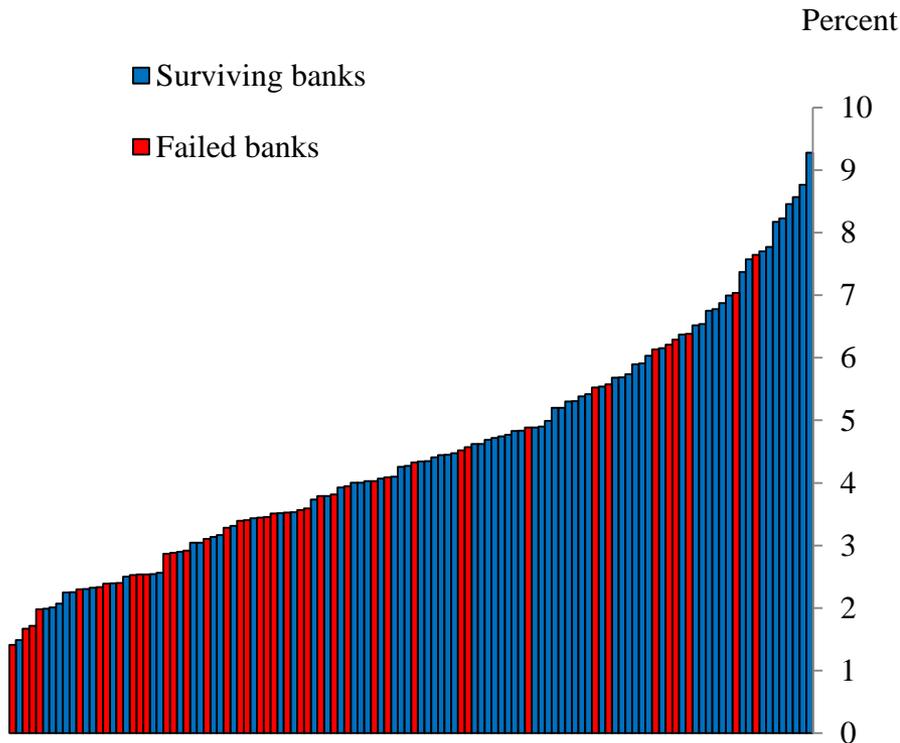
# Chart 3 – Survey respondents' views of sterling money market functioning



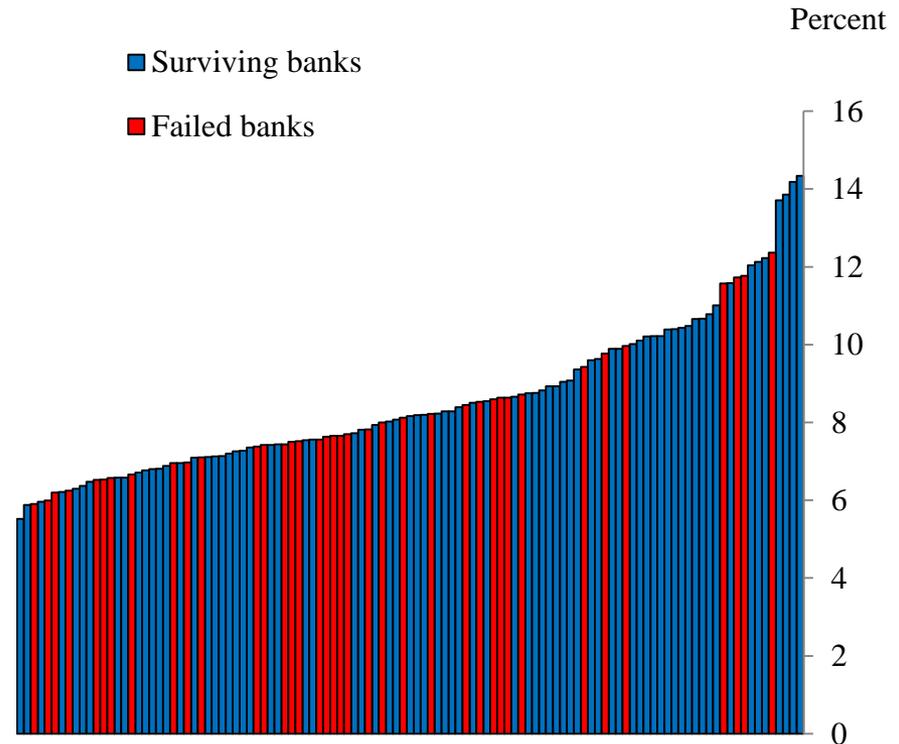
- The net balance of survey respondents who think secured markets are functioning well has declined in recent years

# Chart 4 – Comparison of leverage ratio and risk-based capital ratio as a predictor of firm failure

Leverage ratios of major global banks and subsequent failure

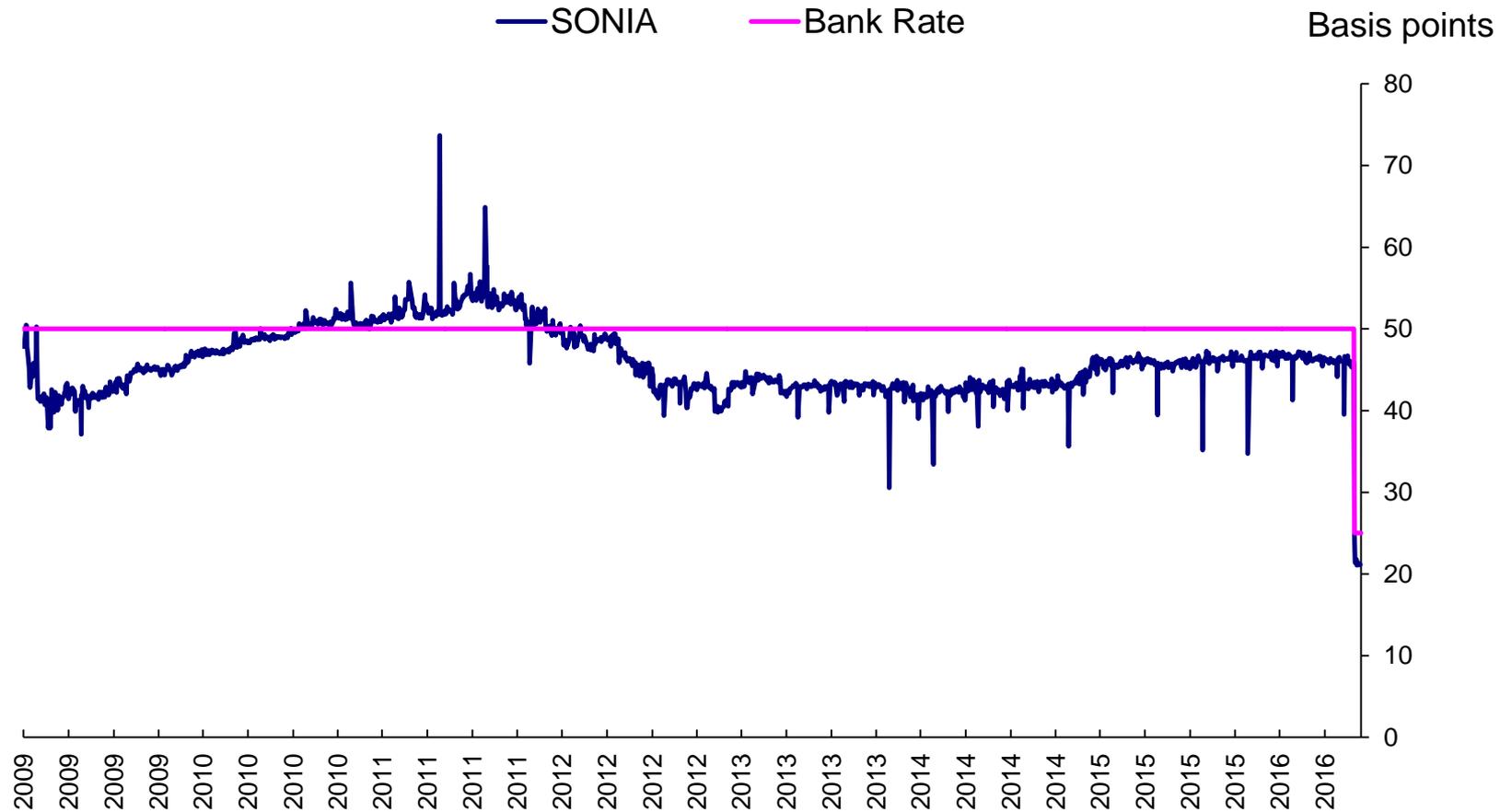


Capital ratios of major global banks and subsequent failure



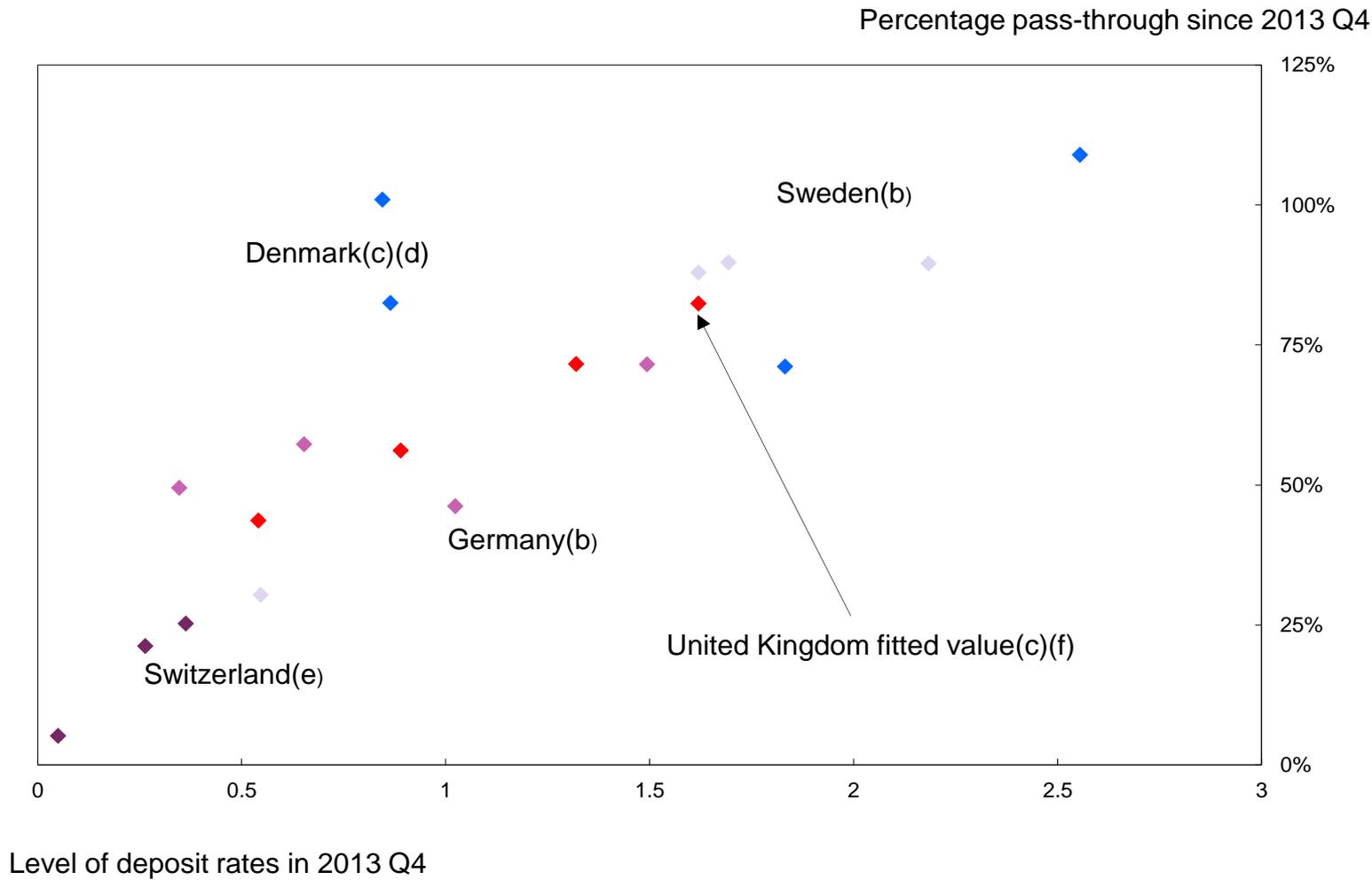
- Comparing the leverage ratios and risk-weighted capital ratios of banks who failed during the financial crisis and banks who survived shows that **the leverage ratio was a better predictor of failure.**

# Chart 5 – Bank Rate and Sterling overnight unsecured rate



- Sterling money market rates have stayed close to Bank Rate

# Chart 6 – Pass through of risk free rates to retail deposit rates



- Pass through of risk free rates to retail deposit rates tends to be lower when interest rates are lower