August 18, 2016

My colleagues have written a response to Thomas Hoenig’s recent WSJ op-ed “Why ‘Risk-Based’ Capital Is Far Too Risky.” Hoenig’s recommended approach to managing leverage risk using a “simple” notional leverage limit reminds us of Einstein’s famous purported comment to make things as simple as possible, but not simpler. The authors believe that Hoenig’s approach fails to meet the Einstein test. My colleagues explain why in their letter.

As always, I hope that you will share your feedback.

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