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Resilience pays: the strategic value of regulation and supervision

Introduction

Good morning, and thank you for inviting me to speak today.

It's a pleasure to be here in Copenhagen. Nowadays travelling from Stockholm to Copenhagen is quick, but it still involves crossing a border. In banking, just like in Scandinavia, even close neighbours need strong bridges. These bridges are not just for trade and travel. In banking, they are built for trust, shared standards and a willingness to cooperate.

And that is exactly what regulation and supervision, when done well and robustly, provide to banks. They are not barriers to business, but strategic advantages to make firms stronger and more profitable.

My message today is a simple but important one to remember: regulation and supervision are in the interest of both banks and the wider economy.

Regulation as a profit centre

A popular narrative in banking is that resilience is a "defensive" quality. It is something you need to survive a crisis. It has insurance-like protective properties. Capital and liquidity requirements are often portrayed as a tax or a burden on profitability. Banks are often quick to lump them in their "cost centres" and treat them as a compliance exercise.

And yet reality time and again suggests otherwise. Resilience is more than a shield. It is a source of competitive strength for banks. The Basel III standards, far from being a constraint, can be a strategic asset as they do not just prevent bad outcomes, but enable good ones.

Well capitalised and liquid banks are better placed to lend during stress, to win new businesses when others pull back and to be the counterparty of choice when trust is a scarce commodity. Liquidity buffers allow banks to ride out shocks without forced sales, preserving their franchise value. In a crisis, strong banks set the terms of trade. Weak banks take what they can get.

We have seen these dynamics at play over and over again. There is now unquestionably strong empirical evidence that it is strong banks – those that are well capitalised and have robust liquidity levels – that can support the wider economy and contribute to its medium-term prosperity.[1] During the recent bouts of market turbulence, banks with strong balance sheets gained market share, expanded client relationships and were able to price risk on their terms.[2] The higher capital levels of Basel III helped banks support lending during the Covid-19 pandemic.[3] Banks were the dog that did not bark. After the Great Financial Crisis (GFC), banks' cost of capital decreased when the Basel III reforms were announced, which suggests that markets recognise strength.[4] In other words, strong banks do not just survive crises. They are able to assist the real economy and be part of the solution, not part of the problem. Well capitalised and liquid banks will be winners in the long run.

These facts should not be surprising. Capital is a powerful funding tool for banks, and not some sort of relic that is burdensomely stored away or "held" by banks.[5] It provides banks the confidence and stability to grow and lend to households and businesses. The same is true for liquidity. A strong liquidity position is not idle cash sitting unproductively on the sidelines. It is the fuel that allows banks to meet obligations, seize opportunities and support clients in all market conditions. Historically, banks have not always seen the longer-term benefits of higher capital and liquidity levels. Regulation and supervision have played – and still play – an important role here.

At the same time, policymakers should be humble and open-minded in assessing the impact of regulations, including Basel III.[6] Like any major reform, its real impact can only be understood over time, and with a willingness to examine a broad set of empirical evidence. Equally, banks should acknowledge that, almost 20 years since the GFC, widescale public support measures are still being deployed in response to market shocks; their self-resilience has yet to be truly tested.

This is why the Basel Committee has a comprehensive evaluation work programme, where we carefully assess the empirical effects of regulations that have been implemented and the lessons from crises. For example, the Committee is currently assessing whether the specific features of the Basel Framework performed as intended during the 2023 banking turmoil.

But let's be clear: we cannot fairly evaluate reforms that have not yet been fully implemented. The first step towards any honest assessment is for all members to implement Basel III in full and consistently. Only then can we judge, with credibility, whether the framework has delivered on its promise. And like before, we will continue to assess how best to safeguard the safety and soundness of the global banking system, taking into account the future challenges we face. For some, diluting standards might seem attractive in the short term, but my message to them is that history shows that such a move inevitably erodes the very advantage that well run banks have earned over time.[7]

Supervision as a strategic asset

Banks do not just enjoy a strategic advantage from robust regulation. Supervision is just as valuable a source of banks' commercial success.

Large internationally active banks are among the most complex organisations in the world. They span multiple business lines, operate across several jurisdictions and handle trillions in assets. Even the best-managed, most well intentioned banks can miss risks that are hiding in plain sight. That is not a reflection of weakness. It is simply the reality of running a large, complex institution in a fast-changing environment.

This is where supervision proves its value. A strong, independent supervisory authority offers a trusted second set of eyes in assessing risks and banks' viability.[8] One that sits outside the internal hierarchy, free from groupthink and insulated from short-term commercial temptations. Supervisors can see patterns across institutions, compare practices across jurisdictions and bring forward insights drawn from forums such as the Committee.[9]

Supervision should not be seen as an "us versus them" relationship. Supervisors are not rivals standing in the way of banks' success. Instead, banks should look to supervisors as a partner in resilience. They are a source of independent challenge, fresh alternative perspectives and early warnings.

Banks already pay handsomely for exactly that kind of service from external consultants. Yet supervision offers all that and more, except it is built on a public mandate, informed by international best practices and delivered at a fraction of the cost.

So calls to weaken supervisory judgment or reduce its scope don't just limit oversight. They deprive banks of a valuable perspective that can help shape their competitive success.
In a fastchanging financial landscape featuring technological innovation, the growth of non-bank financial intermediation and heightened geopolitical developments, any confident bank should welcome scrutiny, knowing that this can only make it stronger.

This is why the Committee is continuing its work to strengthen supervisory effectiveness, drawing on the lessons from the 2023 banking turmoil. In the first instance, the Committee is working on developing a suite of practical tools to support supervisors in their day-to-day oversight of liquidity risk, interest rate risk in the banking book, the assessment of the sustainability of banks' business models and the importance of effective supervisory judgment. These tools do not change or replace existing standards or guidelines. Nor are they intended to impinge on national supervisory practices. The Committee will publish an update on the outcome of this work later this year.[10]

Conclusion

In conclusion, regulation and supervision are powerful strategic assets for banks, particularly when they are anchored in global standards. The banks that win over time are the ones that continuously invest in strength, welcome scrutiny and compete on trust.

Banking is global. Risks can be transmitted across borders instantly. If jurisdictions fragment their frameworks, we invite a race to the bottom, which is in no one's interest, including banks' depositors and investors. Recognising these dynamics, the Group of Governors and Heads of Supervision, the Committee's oversight body, unanimously reaffirmed its expectation to implement Basel III in full and consistently, and as soon as possible.[11]

Global standards like those set by the Basel Committee help well run banks operate across borders with confidence and give every jurisdiction the strength of the whole. If finance is global, stability must be too.

Thank you.

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1. Thedéen (2025a).
2. For example, see S&P Global (2025).
3. BCBS (2021).
4. BCBS (2022).
5. For more on capital and liquidity regulation, see for example Esho et al (2025) and Borio et al (2020).
6. Thedéen (2025b).
7. Thedéen (2024).
8. Badev et al (2025).
9. BCBS (2024).
10. BCBS (2025).
11. BCBS (2025).