

Quarterly Systemic Risk Report

Fall 2025

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CFA Institute Systemic Risk Council (SRC or the Council) is a private sector, nonpartisan body of former government officials and financial and legal experts committed to addressing regulatory and structural issues related to global systemic risk, with a particular focus on the United States and Europe. It was formed to provide a strong, independent voice for reforms that are necessary to protect the public from financial instability. The goal is to help ensure a financial system in which we can all have confidence.

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Welcome to the Fall 2025 Report of CFA Institute Systemic Risk Council

Since 2013, the Council has offered an independent, noncommercial voice to assess significant financial and economic disruptions and to make recommendations for building a more robust process for systemic risk oversight in the US, Europe, and elsewhere. The Council provides an unvarnished assessment of the readiness of global regulatory institutions to deal with evolving systemic vulnerabilities.

In this edition, we highlight several key issues of lingering concern to the Council. Chief among them is the need to finalize and implement stablecoin rules in the US. The main risks involve potential stablecoin runs, where a loss of confidence could trigger panic withdrawals. Key issues include ensuring transparency and verifying stablecoin reserves, and meeting the often-stated policy objectives of preventing bad actors and illicit finance. In the end, stablecoins rely on confidence and trust. If users doubt the integrity of reserves or their ability to redeem holdings, it could lead to a run, destabilizing both the stablecoin and the wider financial system.

In addition, the Council remains concerned about the lack of transparency and enormous growth in non-bank financial

intermediaries (NBFIs) along with new concerns about recent reductions in capital adequacy ratios for large banks. It also worries that the global race to clarify and simplify regulations in the name of economic growth may lead to a race to the bottom in terms of systemic risk protections. Global regulators are well-advised to proceed with caution when undoing reforms that were implemented following the Great Financial Crisis.

So far in 2025, markets have been driven more by political shifts and investor sentiment than economic fundamentals. The ongoing dynamics of geopolitical conflict, record-high valuations, and muted responses to traditional economic signals make systemic risk preparedness all the more difficult. It is essential to quickly identify and manage potentially systemic disruptions in an increasingly complex technological, geopolitical, and financial landscape.

We welcome your comments and inquiries.

Visit us today at www.systemicriskcouncil.org.

— **Kurt N. Schacht, Executive Director, CFA Institute Systemic Risk Council**

SRC UPDATES

CFA INSTITUTE SYSTEMIC RISK COUNCIL WELCOMES FORMER FSB CHAIR KLAAS KNOT



24 November 2025: The CFA Institute Systemic Risk Council announced that Klaas Knot, former Chair of the Financial Stability Board and President of De Nederlandsche Bank, has joined the Council. Knot brings decades of experience in global financial stability and systemic

risk oversight, strengthening the Council's international perspective.

Erkki Liikanen, Co-Chair of the Council, said: "We are thrilled to welcome Klaas Knot to our group. He is a distinguished and highly experienced voice on economic stability—the core focus of our Systemic Risk Council. His appointment broadens our European representation and adds further international perspective to our discussions."

See full announcement on the [SRC website](#).

THOUGHT-LEADER PRESENTATIONS ON SYSTEMIC RISK

NAVIGATING REGULATORY MODERNIZATION FOR GROWTH AND STABILITY

A Conversation with John Berrigan, Director-General (DG), Financial Stability, Financial Services and Capital Markets Union (FISMA) at European Commission

31 October SRC Meeting: The SRC met with John Berrigan, DG, FISMA at the European Commission, to discuss key issues shaping the European and global financial landscape, including regulatory modernization, nonbank financial intermediaries (NBFIs), crypto-assets, and emerging risks such as AI and climate. Berrigan emphasized that markets require regulatory frameworks designed for growth and stability, not simple deregulation. Modernization should optimize existing rules, prioritize cross-border operations, streamline fragmented approaches, and integrate macro- and micro-prudential considerations. Basel III capital buffer frameworks and member-state variations need simplification to reduce inefficiencies, while the European Central Bank and European Banking Authority should plan coordinated assessments for 2026 to ensure that the pro-regulation and pro-growth forces have every opportunity to interplay and engage.

NBFIs and Insurance: NBFIs remain an area of focus. While private markets can supplement capital formation, limited visibility into leverage and interconnectivity with regulated banks presents systemic risks. Regulators aim to improve disclosure and monitoring to ensure vulnerabilities do not propagate. Insurance regulation under Solvency II is also under review to strengthen resilience and consistent supervision.

Crypto Regulation Under MiCA: Crypto-assets continue to advance under the Markets in Crypto-Assets Regulation (MiCA), which establishes a uniform EU framework for governance,

consumer protection, and market integrity. While implementation is ongoing, the EU is preparing for potential systemic impacts, though none are evident today.

Emerging Technology and

Climate Risks: AI raises questions about market stability and potential investment bubbles, while climate change remains a longer-term planning priority. Regulators are monitoring both issues in an effort to anticipate systemic vulnerabilities without stifling innovation.

Global Coordination and Oversight: Berrigan encouraged the SRC to advocate for a level global regulatory playing field that prioritizes resilience over competitive positioning. Centralization efforts, such as the transformation of the Capital Markets Union into a Savings and Investment Union, offer opportunities to harmonize oversight and improve market coordination, but simplification must not compromise prudential safeguards.

The meeting reinforced the importance of balancing innovation with systemic risk awareness, ensuring both market efficiency and stability in a rapidly evolving global financial ecosystem.



THOUGHT-LEADER PRESENTATIONS ON SYSTEMIC RISK

REASSESSING SYSTEMIC RISK OVERSIGHT AND REGULATORY PRIORITIES

A Conversation with Paul S. Atkins, Chairman of the Securities and Exchange Commission (SEC)



26 September SRC Meeting:

In a wide-ranging discussion with the SRC, SEC Chair Paul S. Atkins outlined his perspective on the agency's role in systemic-risk oversight and the future direction of the Financial Stability Oversight Council (FSOC). While the SEC is not a prudential regulator, he

emphasized its crucial role in supporting stable and orderly securities markets. Atkins noted that FSOC has largely functioned as a monitoring and discussion platform in recent years, and it could be more effective if reoriented toward promoting economic growth, modernizing outdated rules, and strengthening US competitiveness. He reiterated concerns that designating nonbank institutions as systemically important represents an overextension of FSOC authority, particularly given the business models and balance-sheet characteristics of asset-management firms.

Advancing Digital-Asset Regulation: Atkins highlighted the SEC's ongoing work to modernize securities regulation as financial activity moves rapidly onto blockchain infrastructure. Through "Project Crypto," the agency aims to establish a regulatory foundation for on-chain capital formation, integrated trading and custody platforms, and new types of digital asset services. On-chain commerce is accelerating, and regulators must approach the shift with confidence, common-sense guardrails, and an eye toward long-term market benefits.

Global Standards and Disclosure Efficiency: Atkins also discussed sustainability-reporting developments following recent engagements with the Organisation for Economic Co-operation and Development (OECD). Applying double-materiality standards to US issuers would be misaligned with domestic regulatory priorities and could hinder global competitiveness. As part of broader efforts to streamline regulatory obligations, the SEC is evaluating whether public companies should have the option to shift from quarterly to semiannual reporting to reduce unnecessary burden and enhance reporting efficiency.

Risk Considerations: Crypto, Private Markets, and AI: Atkins acknowledged concerns about emerging risks tied to digital assets, drawing parallels to how money market mutual funds became transmission channels during the global financial crisis. He underscored the importance of ensuring private-fund transparency, guarding retail investors from exposure to illiquid or legacy private-equity assets, and monitoring how AI may affect market concentration, trading volatility, and the speed of market shocks.

Strengthening Public Markets and IPO Activity: Atkins concluded by outlining priority areas intended to bolster US public markets and encourage more IPOs. These include examining the current boundaries of securities litigation, reassessing disclosure overload—especially around ESG and executive compensation—re-evaluating periodic reporting such as Form 10-Q, and updating proxy and shareholder-proposal rules. The goal is a regulatory framework that is more efficient, proportionate, and supportive of capital formation.

SYSTEMIC RISK IN THE NEWS

MEMBERS WEIGH IN ON SYSTEMIC RISK ISSUES

Expert voices weigh in on key news and issues: Our members are in the news—and making news—on important financial issues.

- [Cutting Bank Capital Requirements Opens the Door to Systemic Risk](#) (*American Banker*, 5 November 2025): Kurt Schacht, Executive Director, CFA Institute Systemic Risk Council, argued that reducing enhanced supplemental leverage ratio (eSLR) capital requirements for large banks weakens critical post-crisis safeguards and risks reigniting systemic vulnerabilities in the financial system.
- [What France and Others Can Learn from Sweden's Hard Budget Lessons](#) (*Reuters*, 23 October 2025): Simon Johnson, SRC Co-Chair and former IMF Chief Economist, described how Sweden's strict fiscal discipline and long-term budgeting reforms helped stabilize its economy and offer lessons for France and other countries grappling with rising deficits and political pressure to increase spending.
- [Former ECB President Trichet on Global Economy, Trade](#) (*Bloomberg Insight*, 23 October 2025): Jean-Claude Trichet, former president at the European Central Bank, discussed the outlook for the global economy and the impact of the trade tariffs.
- [Former ECB President Jean-Claude Trichet Says He is Appalled by Fed and US Government Conflict](#) (*CNBC*, 17 October 2025): Jean-Claude Trichet discussed credit concerns across global banking stocks and central bank independence.
- [Community Banks Need Relief from a Suffocating Web of Regulations](#) (*American Banker*, 10 October 2025): Sheila Bair, former Federal Deposit Insurance Corp. (FDIC) Chair, asserted that community banking in the US is burdened by disproportionate regulations that favour larger institutions.
- [The Federal Reserve's Other Problem](#) (*Project Syndicate*, 7 October 2025): Simon Johnson and Corey Klemmer wrote on how much bank leverage – debt relative to equity – is good for the economy, and how much leverage jeopardizes the stability of the financial system.

- [America's Economy Needs Expanded Deposit Insurance](#) (*Financial Times*, 6 October 2025): Sheila Bair argued for targeted increases in deposit insurance limits to help community and regional banks compete with "too big to fail" mega banks.
- [India's 8% Growth Ambition Achievable but Needs Bold Reforms: Jean-Claude Trichet](#) (*CNBC*, 3 October 2025): Former President of the European Central Bank and renowned French economist spoke on the tariff war, impact on India, global growth outlook, interest rate trajectory, and more.
- [Why Mortgage Rates and Other Borrowing Costs Could Rise If Trump Controls the Fed](#) (*MarketWatch*, 8 September 2025): Simon Johnson explains how a Trump-led Federal Reserve, focused on weakening bank regulations and pressuring for lower interest rates, could ultimately push mortgage rates and other borrowing costs higher by undermining confidence in the Fed's independence and inflation-fighting credibility.
- [Former ECB President: French Debt 'Not Yet a Catastrophic Situation'](#) (*CNBC*, 8 September 2025): Jean-Claude Trichet joined *CNBC's* "Squawk Box Europe" to discuss French Prime Minister François Bayrou's upcoming confidence vote.
- [Attacking the Federal Reserve is Self-Defeating](#) (*Project Syndicate*, 3 September 2025): Simon Johnson discussed President Donald Trump's no-holds-barred campaign for lower interest rates that could easily lead to prolonged high US inflation, which would undermine his administration's goal of boosting home ownership and creating more good jobs.

SYSTEMIC RISK REPORTS AND UPDATES

IN CASE YOU MISSED IT: Following is a selection of recent reports and updates on current systemic risk issues:

- [Financial Stability Report](#) (Board of Governors of the Federal Reserve System, November 2025): This report identifies asset overvaluation as the leading financial-stability risk, overtaking earlier concerns about tariffs. The report warns that elevated valuations, compressed yield spreads, and strong market optimism could heighten the likelihood of sharp asset-price declines if economic conditions shift.
- [A Sixth of Humanity: Independent India's Development Odyssey](#) (HarperCollins Publishers India, November 2025): This book unpacks India's unique development model—an unprecedented blend of democracy, socialism, and liberalization—and explores how this singular trajectory continues to reshape global geopolitics and economics.
- [Market Volatility Underscores Epic Buildup of Global Risk](#) (*New York Times*, 25 November 2025): Some experts see a dangerous combination of factors reminiscent of practices that led to previous financial crises.
- [Threats to Eurozone Financial Stability 'Remain Elevated,' Says ECB's de Guindos](#) (*Wall Street Journal*, 17 November 2025): Vice-President of the European Central Bank Luis de Guindos said that while a "large-scale" trade war between the US and other countries has been averted, uncertainty about government policies that can affect the financial system remains high.
- [UBS Chair Warns Of 'Looming Systemic Risk' from Private Credit Ratings](#) (*Financial Times*, 5 November 2025): UBS Chair Colm Kelleher said insurers are shopping for grades as banks did before the 2008 financial crisis.
- [Office of Financial Research \(OFR\)'s 2025 Annual Report to Congress](#) (OFR, October 2025): This annual report provides insights into several areas of financial stability, such as technology and cyber risks, businesses and households, financial institutions, asset markets, and money markets.
- [The London Consensus: Economic Principles for the 21st Century](#) (LSE Press, 16 October 2025): Convened at the London School of Economics and Political Science (LSE), this new book brings together the insights of over fifty leading European economists and policy experts to discuss the best available evidence and ideas to address many of today's seemingly intractable global problems.
- [Credit Markets Look Increasingly Dangerous](#) (*The Economist*, 2 October 2025): A recent pair of high-profile bankruptcies — and compressing bond spreads — signal that credit markets have become dangerously complacent and may be nearing a tipping point similar to pre-crisis conditions.

SYSTEMIC RISK COUNCIL MEMBERS

Chair: Simon Johnson

SRC Co-Chair and former IMF Chief Economist

Chair: Erkki Liikanen

SRC Co-Chair and Chair of the IFRS Foundation Board of Trustees

Senior Adviser: Sheila C. Bair

Founding Chair of Systemic Risk Council and former FDIC Chair

Senior Adviser: Jean-Claude Trichet

Former President of the European Central Bank

Members:**Brooksley Born**

Former US Commodity Futures Trading Commission Chair

Sharon Bowles

Former Member of European Parliament and former Chair of the Parliament's Economic and Monetary Affairs Committee

Bill Bradley

Former US Senator (D-NJ)

Marina Brogi

Full Professor of Banking and Capital Markets at Sapienza University of Rome and a former member of the Securities and Markets Stakeholder Group at the European Securities and Markets Authority (ESMA)

Andreas Raymond Dombret

Former member of executive board, Deutsche Bundesbank, founding member of the Supervisory Board of the European Central Bank, and board member of the Bank of International Settlements

Marg Franklin

President and Chief Executive Officer, CFA Institute

José Manuel González-Páramo

Former member of the executive board of the European Central Bank (ECB), member of the Executive Board of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), and member of the executive board of the Bank of Spain

Jeremy Grantham

Co-founder and Chief Investment Strategist, Grantham Mayo Van Otterloo (GMO)

Richard Herring

Jacob Safra Professor of International Banking, Wharton School of the University of Pennsylvania

René Karsenti

Senior Adviser to the International Capital Market Association (ICMA)

Klaas Knot

Former Chair of the Financial Stability Board and former President of De Nederlandsche Bank

Elke König

Former Chair of the Single Resolution Board (SRB)

John S. Reed

Former Chair and CEO, Citicorp and Citibank

Christina Romer

Professor of the Graduate School at the University of California, Berkeley