Figure 2.8. Perceptions of Likelihood of Bailout of Systemic Institutions

Bank ratings suggest that it is now less likely for systemic institutions to be bailed out ... 


... a perception that is echoed by a decline in market-based measures of the implicit subsidy that arises from possible bailout.

2. Implicit G-SIB (Too-Important-to-Fail) Subsidy (Basis points)

Sources: Fitch Ratings; Moody’s CreditEdge; and IMF staff calculations.

Note: In panel 1, the first bar represents the difference in means for all banks between 2007 and 2017, and the remaining bars represent this difference for different groups of countries and banks. The support rating reflects a view on the likelihood that a bank will receive support from either a parent bank or the government, ranging from a likelihood of 1 (low) to 7 (high). Stand-alone banks refer to banks without a parent. Solid bars indicate that the differences are statistically significant at a 10 percent level. In panel 2, the implicit subsidy is calculated as the difference between the “fair value” credit default swap (CDS) spread obtained from equity prices and the CDS spread on a bank’s bonds. A higher difference implies a higher implicit too-important-to-fail subsidy.

BCBS = Basel Committee on Banking Supervision; G-SIBs = global systemically important banks.