

Table 1: Cumulative benefits and costs for the G-20 from stronger regulatory requirements (present value in per cent of GDP)

Increase in capital ratio (percentage points)	Long-run benefits (%)	Long-run costs (%)	Transition costs (%)	Net benefits (%)
2	36.4	-5.2	-1.1	30.1
4	45.8	-8.8	-2.2	34.8
6	50.4	-12.4	-3.2	34.8

Source: Basel reports and Bank of Canada calculations

Assumptions:

- Liquidity requirement is met, as defined in the LEI report.
- Cost of a crisis is 63% of pre-crisis output (equivalent to LEI median estimate).
- Discount factor of 5 per cent.
- G-20 GDP in 2009 is euro 33.3 trillion.
- Transition costs represent weighted average of discounted transition impact on U.S. and Europe, scaled to G-20 output (MAG report and Bank of Canada calculations).