Index

adverse selection 176, 179, 183
AIG 5–6, 88
Anglo-Irish Bank 63, 103, 137
Argentina 233
Arvastson, L. 242
asset guarantee 5, 140, 144–5
asset purchase 25, 101, 104, 140, 144–5
asset-backed securities see securities
Australia 124–5, 128–30, 139
Austria 242
BaFin 90, 95, 98, 105–8
Bagehot, W. 16
bail in see recapitalisation
bailout 17, 19, 26–7, 83, 118, 189–204
gap 192
investment 203
Portugal 231
bank bonds 103, 140–153
Bank Creditor Recapitalisation 128, 138
Bank for International Settlement 16, 61, 116
Bank of England 41, 80–82, 108–10
Financial Policy Committee 80
Financial Stability Committee 109
insolvency order 111
Bank of Finland 88
Bank of Ireland 137
bank resolution 24–5, 27, 69, 74, 100, 105, 108–9, 112
bank restructuring 25, 53, 60, 90–91
Bank Restructuring Act see Germany
Banking Act, Germany 94, 96
Banking Act, United Kingdom 82, 108–11, 138
banking separation 85–6
bankruptcy 25, 40, 45, 196
German banks 106
Lehman Brothers 7–8
see also insolvency
Barclays 85
Basel Committee on Banking Supervision 27, 34–6, 52, 76, 126
Core Principles for Effective Banking Supervision 78
Countercyclical Capital Buffers 35
early intervention 10
micro-prudential regulation 29
Basel II 77
Capital Accord 29
Basel III 43, 67, 72, 74, 76–7, 85
Basel IV 77
Bayern LB 105
Bear Stearns 5, 88, 232, 246–7
Belgium 69, 186–7
Berner, R. 37
Bingham 106
blanket guarantee 60–61, 63, 72–3, 103
Iceland 121
Ireland 101, 137
Norway 124, 127
Bodie, Z. 157–9
Bohn, J. 157
bonds 7, 139, 232–3, 235, 238
catastrophe 184
compensation 119
credit spread 240
Euro Area Member States 215, 223–4
Germany 231
Grenada 210
markets 241
see also bank bonds
Bradford and Bingley 105, 108
bridge bank 8, 24, 46–8, 95–6, 108, 110–12, 126
Buiter, W. 30, 32
Bulgaria 61
Bundesanstalt für Finanzdienstleistungsaufsicht see BaFin
Financial crisis containment and government guarantees

Bundesanstalt für Finanzmarktstabilisierung see FMSA
Bundesbank 90, 93, 98, 107
Bureau of Consumer Financial Protection 83
Bystrom, H.N.E. 240
Cabinet Committee on Banking Reform 85
Caisse Centrale de Réassurance 180–181
Calice, G. 242, 248
Canada 35
Canada Deposit Insurance Corporation 61
capital adequacy 34–7, 41, 73, 118
capital injection 5–6, 11, 26, 103–5, 119, 140, 144–5
capital requirement 76–7, 191, 200, 202
capitalisation 94, 104, 136, 192, 194–5, 201, 215
casino banking 39, 88
catastrophe insurance 58, 174–5, 179–87
France 185
National Flood Insurance Program 183
central bank 6, 16–17, 29–34, 40–41, 80, 101, 122–3
crisis management 48
cross-border banking 117, 119
currency 233
European Stability Mechanism 218
Finland 127
Iceland 119
information sharing 51
lender of last resort 15
liquidity provision 156, 166
supervisory enhancement 72
supervisory role 83
central counterparties 44–5
central securities depositories 44
Chen, J. 242, 248
Co-Investment Funds 215
collateralization agreements 47
Collective Action Clauses 223
Commerzbank 104–5
Committee of European Bank Supervisors 63
compensation 6, 47, 75, 84, 110, 139
bonus 85
catastrophes 179, 182
Icelandic banks 119
complete markets theory 230
compliance 6, 17, 81, 131, 222, 226
Congressional Oversight Panel 6
Consumer Protection and Markets Authority 80
Continental Illinois Bank 7
contingent liability 25, 140, 145, 154–6, 207–9
courts 5, 15, 18, 109, 226
bankruptcy 45
EFTA 122
Germany 106–7
New Zealand 128
United Kingdom 108–12
Credit and Liquidity Programmes 4
credit default swap 29, 230–243, 246–7
bank bonds 143–5, 148–9, 154
Eurozone 123
spread 103
credit easing 31
Credit Institution Reorganization Act 106
credit risk 4, 143–4, 153, 169, 239
credit spread 142, 230–235, 240, 243, 245, 247
credit-rating agencies 15, 21–2, 26, 65
Crocket, A. 78
Crosbie, P. 157
cross-border banking 62, 64, 68–70, 73–4, 115–17, 122–3
cross-border cooperation 48–53, 68
cross-border harmonization 66
cross-border insolvency 7, 9
cross-border institutions 89
currency 70, 115–18, 233
exchange reserve 121
Iceland 123
liability 115
liquidity 101
DataStream 242–3
De Larosiere report 87
debt guarantee 4, 105, 143–4, 156–61, 169–71
Denmark 62, 101, 145, 221
Index

deposit guarantee 57, 59–64, 66–7, 70–72, 74, 121–2, 139
Australia 129–30
New Zealand 129–30, 133–4
deposit insurance 5, 11, 15–17, 51, 60–65, 70–73, 139
creditor/debtor rights 40
FDIC 4
Iceland 119–23, 136–7
Key Attributes of Effective Resolution Regimes 48
liquidity losses 126
maturity mismatch 117
New Zealand 128
Nordic countries 124
UK banks 111
deposit protection 13, 15, 18–19, 63, 71, 112, 139
derivatives 37, 78, 88, 129, 145, 230, 235
over the counter 24
oversight 10
trading 197
Deutsche Bundesbank 90, 93
Diebold, F.X. 242
Disaster Prevention Act 58
Dodd-Frank Wall Street Reform and Consumer Protection Act 8, 11, 83, 192, 197
Dunfermline Building Society 112
early intervention 10, 22, 126
Economic and Financial Affairs Council 214, 223
Economic and Monetary Union (EMU) 222
emergency liquidity assistance 31–2, 101, 166
Emmanuel, R. 75
Epstein, R.A. 181
Erste 105
Establishment of a Financial Market Stabilisation Fund 91–2, 96
Euro Area Member States 212–13, 221, 223–4, 226
European Banking Authority 65
European Central Bank 16, 93, 212
European Stability Mechanism 218–22, 226
Germany 93
intervention 231, 245
lender of last resort 122
price stability 36
recapitalisation 103
European Commission 34–6, 63, 97, 100–103, 226
Capital Requirements Directive 34, 36
deposit insurance 61
Directive on Depositor Guarantee Schemes 70, 71
ESM Treaty 221
FMGA 98
Memorandum of Understanding 213, 222
European Council 215–16
European Court of Auditors 220
European Court of Justice 221
European Economic Area 62, 64, 72, 116, 136
European Financial Stabilisation Facility 215, 217–18, 221, 224, 231
European Financial Stabilisation Mechanism 214–15, 217–18
European Financial Stability Framework Exercise 69
European Insurance and Occupational Pensions Authority 65
European Parliament 87
European Securities Market Authority 65
European Stability Mechanism 212–13, 216–22, 224, 226
European Supervisory Authorities 65
European Systemic Risk Board 30, 36, 39, 65, 69
European Union 27, 35–6, 71, 100, 138, 212–13, 231
bank funding 153
banking supervision 87
Capital Regulation Directive 67, 72, 74
Competition Commission 26
consumer protection 61
Council 221
deposit insurance 73
Directive on Depositor Guarantee Schemes 70, 72
financial transaction tax 85
harmonization 66
Financial crisis containment and government guarantees

Iceland 116
supervision 122
Eurozone 16, 39, 117, 141, 147, 153, 213, 218, 230–235

Fannie Mae 4, 7, 9, 59
Federal Deposit Insurance Corporation 4–9, 41–2, 59, 83, 190–191, 197–202
Federal Disaster Insurance Programme 58
Federal Government Investment Corporation 190–204
Federal Reserve 3–6, 83
Federal Reserve Act 5
Federal Reserve Bank of New York 6
Financial Conduct Authority 80–81
financial market infrastructure 6, 10, 44–5, 47
Financial Market Stabilisation Agency see FMSA
Financial Policy Committee 30–31, 34, 39, 80–82
Financial Sector Assessment Programme 61–2
Financial Services Authority 36, 41–2, 80–82, 111
Financial Services Bill 81
Financial Services Compensation Scheme 137
Financial Stability Board 7–10, 35–6, 43, 49, 78, 126
Key Attributes of Effective Resolution Regimes 79
Peer Review Council 44, 52
recommendations 88
financial stability committee 14, 23, 26–8, 109
Financial Stability Forum 25, 35, 61
Financial Stability Oversight Committee 30, 83
financial system safety net 14–28, 74, 124–5
bank resolution 69, 112
deposit guarantee 64, 67
European Deposit Insurance Corporation 73
inadequacy 100
Finland 124, 127
Fitch 167

FMSA 90, 92–4, 98, 108
Fortis 69
France 35, 142, 180, 185–6, 243
Freddie Mac 4, 7, 9, 59

G20 43–4, 49
Germany 16, 35, 100, 230–231, 235
bank asset transfer 104
bank resolution 105
Bank Restructuring Act 94–5, 98–9, 105, 112
Reorganization Proceeding 106
Restructuring Fund Act 107
Stabilization Proceeding 106
Transfer Order 107
Banking Act 94
banking industry 90–94, 98
Parliament 91
Giacomini, R. 242
Goodfriend, M. 32
Goodhart, C.A.E. 37
government sponsored enterprises 9–10
Gray, D.F. 157–9
Greece 36, 212–15, 230–234, 243–8
Grenada 210
gross domestic product 64, 70, 100, 116–19, 140, 234
Finland 127
Greece 230
Iceland 115, 136
Ireland 102, 138
Portugal 102
ratios 212
harmonization 35–7, 62–3, 66–7
deposit guarantee 70
deposit insurance 72
market prices 101
Highly Indebted Poor Country 209–10
Honohan Report 137
HSBC 85
Hungary 26
Hypo Real Estate 92, 104–5
Iceland 26, 35, 64, 88, 115–23, 125, 135
central bank 121
emergency legislation 136
European Economic Area 116
Financial Supervisory Authority 118–19
### Index

<table>
<thead>
<tr>
<th>UK subsidiary banks</th>
<th>108</th>
</tr>
</thead>
<tbody>
<tr>
<td>Icesave 64, 121</td>
<td></td>
</tr>
<tr>
<td>IKB 105</td>
<td></td>
</tr>
<tr>
<td>Independent Commission on Banking</td>
<td>40, 85–7</td>
</tr>
<tr>
<td>Indonesia 60</td>
<td></td>
</tr>
<tr>
<td>inflation 31, 69</td>
<td></td>
</tr>
<tr>
<td>ING 104–5</td>
<td></td>
</tr>
<tr>
<td>insolvency 7–8, 11, 25, 91, 143, 145</td>
<td></td>
</tr>
<tr>
<td>cross-border 9</td>
<td></td>
</tr>
<tr>
<td>Germany 95</td>
<td></td>
</tr>
<tr>
<td>Icelandic banks 136–7</td>
<td></td>
</tr>
<tr>
<td>laws 109</td>
<td></td>
</tr>
<tr>
<td>UK banks 110–11</td>
<td></td>
</tr>
<tr>
<td>see also bankruptcy</td>
<td></td>
</tr>
<tr>
<td>insurance 3–4, 174–88</td>
<td></td>
</tr>
<tr>
<td>catastrophe 58</td>
<td></td>
</tr>
<tr>
<td>companies 46, 88, 94, 182, 185, 188</td>
<td></td>
</tr>
<tr>
<td>compulsory 186–7</td>
<td></td>
</tr>
<tr>
<td>deposit protection 19</td>
<td></td>
</tr>
<tr>
<td>flood 64</td>
<td></td>
</tr>
<tr>
<td>liability 4</td>
<td></td>
</tr>
<tr>
<td>premiums 104, 183, 186–8</td>
<td></td>
</tr>
<tr>
<td>regulators 15</td>
<td></td>
</tr>
<tr>
<td>see also catastrophe insurance; deposit insurance; reinsurance</td>
<td></td>
</tr>
<tr>
<td>interest rate 5, 31–4, 65, 68, 136, 161, 215, 241</td>
<td></td>
</tr>
<tr>
<td>International Association of Deposit Insurers 61</td>
<td></td>
</tr>
<tr>
<td>international lender of last resort see lender of last resort</td>
<td></td>
</tr>
<tr>
<td>International Monetary Fund 15, 60–63, 69, 145, 221–6</td>
<td></td>
</tr>
<tr>
<td>European Area Member States 212–13</td>
<td></td>
</tr>
<tr>
<td>European Stability Mechanism 217</td>
<td></td>
</tr>
<tr>
<td>eurozone 230–231, 245</td>
<td></td>
</tr>
<tr>
<td>financial system safety net 67</td>
<td></td>
</tr>
<tr>
<td>Greece 215</td>
<td></td>
</tr>
<tr>
<td>Hungary 26</td>
<td></td>
</tr>
<tr>
<td>Iceland 137</td>
<td></td>
</tr>
<tr>
<td>Key Attributes of Effective Resolution Regimes 79</td>
<td></td>
</tr>
<tr>
<td>intervention 3–11, 16</td>
<td></td>
</tr>
<tr>
<td>investment banks 80, 85</td>
<td></td>
</tr>
<tr>
<td>Ireland 26, 35, 63, 66, 101–2, 137–9, 230–235</td>
<td></td>
</tr>
<tr>
<td>bank asset transfer 104</td>
<td></td>
</tr>
<tr>
<td>blanket guarantee 73</td>
<td></td>
</tr>
<tr>
<td>European Area Member States 212</td>
<td></td>
</tr>
<tr>
<td>liquidity spread 243</td>
<td></td>
</tr>
<tr>
<td>taxpayer burden 125</td>
<td></td>
</tr>
<tr>
<td>issuance 102, 140–151, 232–3</td>
<td></td>
</tr>
<tr>
<td>issuer credit rating 165–8</td>
<td></td>
</tr>
<tr>
<td>Italy 35, 153, 234–5</td>
<td></td>
</tr>
<tr>
<td>iTraxx index 240</td>
<td></td>
</tr>
<tr>
<td>Jacoby, G. 240</td>
<td></td>
</tr>
<tr>
<td>Johnson, H. 158</td>
<td></td>
</tr>
<tr>
<td>Kashyap, A.K. 37</td>
<td></td>
</tr>
<tr>
<td>Kay, J. 87</td>
<td></td>
</tr>
<tr>
<td>Key Attributes of Effective Resolution Regimes 8, 10, 44–52</td>
<td></td>
</tr>
<tr>
<td>KMV ratings 157</td>
<td></td>
</tr>
<tr>
<td>Kotlikoff, L.J. 87</td>
<td></td>
</tr>
<tr>
<td>Kunreuther, H. 180, 186</td>
<td></td>
</tr>
<tr>
<td>Lai, V.S. 158</td>
<td></td>
</tr>
<tr>
<td>Landsbanki 64, 119, 121–2, 136</td>
<td></td>
</tr>
<tr>
<td>Latvia 124</td>
<td></td>
</tr>
<tr>
<td>Lehman Brothers 7–8, 232–3</td>
<td></td>
</tr>
<tr>
<td>Australia 129</td>
<td></td>
</tr>
<tr>
<td>default 147</td>
<td></td>
</tr>
<tr>
<td>FMUA 91, 98</td>
<td></td>
</tr>
<tr>
<td>Germany 90</td>
<td></td>
</tr>
<tr>
<td>Latvia 124</td>
<td></td>
</tr>
<tr>
<td>systemically important financial institutions 88</td>
<td></td>
</tr>
<tr>
<td>lender of last resort 15–17, 25, 31–2, 101</td>
<td></td>
</tr>
<tr>
<td>catastrophe insurance 182</td>
<td></td>
</tr>
<tr>
<td>deposit insurance 122–3</td>
<td></td>
</tr>
<tr>
<td>Iceland 115–18</td>
<td></td>
</tr>
<tr>
<td>international 217, 224, 226</td>
<td></td>
</tr>
<tr>
<td>leverage 10, 12, 29, 157, 194–5, 197</td>
<td></td>
</tr>
<tr>
<td>Levy, A. 147</td>
<td></td>
</tr>
<tr>
<td>Liikanen, E. 88</td>
<td></td>
</tr>
<tr>
<td>liquidity 4–6, 11, 24–5, 102, 105, 230, 238–40</td>
<td></td>
</tr>
<tr>
<td>Asia 60</td>
<td></td>
</tr>
<tr>
<td>bank bonds 141</td>
<td></td>
</tr>
<tr>
<td>banks 24</td>
<td></td>
</tr>
<tr>
<td>Basel III 76</td>
<td></td>
</tr>
<tr>
<td>Basel rules 10</td>
<td></td>
</tr>
<tr>
<td>central banks 16–17, 90</td>
<td></td>
</tr>
<tr>
<td>cross-border banking 68</td>
<td></td>
</tr>
<tr>
<td>deposit insurance 126</td>
<td></td>
</tr>
<tr>
<td>European Union 153</td>
<td></td>
</tr>
</tbody>
</table>
Financial crisis containment and government guarantees

foreign exchange 117–18
German banks 91–2, 106–7
Northern Rock failure 64
ratio 36–7, 41
regulatory focus 77
requirement 34, 36
spread 230–233, 235, 241, 243, 247
Litan, R. 77
Lloyds Bank 85, 105, 139
Lucas, D. 4
macro-prudential authority 29–32, 34–42, 80–82
Mallaby, S. 59
mandatory insurance see insurance, compulsory
Mariano, R.S. 242
maturity 5
McDonald, R. 4
merger 5, 46, 127
Merton, R.C. 157–9
Merton model 157–9
Mexico 184
Michel-Kerjan, E.O. 174, 180
Minsky, H.P. 29
monetary policy 15–16, 29–30
Monetary Policy Committee 31, 34, 40
monopoly 194
Moody’s 167
moral hazard 3, 7, 17, 156, 176, 178
bailout 183, 194–5
bank capitalization 104
blanket guarantee 72
bonus compensation 85
catastrophe insurance 179, 181
deposit guarantee 130
deposit insurance 19, 60
EU Competition Commission 26
Financial Stability Board 43
government guarantees 126
New Zealand 134
systemically important financial institutions 89
taxpayer loss 139
National Flood Insurance Act 58
nationalisation 25, 118
Nationwide Building Society 85, 137
natural disaster insurance see catastrophe insurance
Netherlands 64, 69, 136–7, 243
Netherlands Bank 72
netting 40, 47, 121
New Zealand 124–5, 128
Bank Creditor Recapitalisation 138
Companies Act 131
government guarantees 129, 131–5, 139
Reserve Bank 131
Securities Commission 131
South Canterbury Finance 133–4
Nordbanken 127
Norden, L. 240
Northern Rock 18, 63, 71, 80, 105, 108, 138
Norway 62, 124, 127
Obama, B. 39, 75
Office of the Comptroller of the Currency 83
Office of Thrift Supervision 83
Organisation for Economic Co-operation and Development 15
Organization for Economic Co-operation and Development 128, 130, 139, 175
Osborne, G. 40
Packer, F. 169
Panetta, F. 104, 144
Paul, R. 82
Portugal 102, 145, 212, 230–232, 235, 243
pricing mechanism 62, 154
Prudential Regulation Authority 41, 80–82
prudential supervisor 16–17, 19, 21
public guarantees 140–141, 145–7
public-sector debt 31–3
RBS see Royal Bank of Scotland recapitalisation 21, 24–6, 46, 72, 74, 97
EC guarantees 102
EC remuneration 103
German banks 92
Icelandic banks 119
restructuring plan 104
recovery and resolution planning 49–52, 79
recursive and iteratively weighted least squares 242
regulatory framework 52, 65
Reinhart, C. 13
reinsurance 179–86
Reorganization Plan 107
resolution agency 24, 69, 71, 73, 92–3
resolution authority 8, 41, 45–51
resolvability assessment 9, 46, 49–50, 52, 79
Restructuring Fund 95–7, 108
retail banking 85–6
Reuters Information Codes 242
risk adjusted assets 85
risk management 44, 75, 77–9, 84, 178
risk premium 143–4, 178
Rogoff, K.S. 13
Rossi, B. 242
Royal Bank of Scotland 85, 104–5
sanctions 34, 36–8
Santander 85
securities 78
asset-backed 5–6, 101
commission 15
commissions 15
debt 145
firms 88
market 5
Securities and Exchange Commission 83
securitization 6, 37, 59, 177
Skopbank 127
Slaughter and May 85
SoFFin 91–3, 97–8
Sonderfonds für Finanzmarktstabilisierung see SoFFin
South Canterbury Finance 133–4
South Sea Mortgage and Investment Company 112
sovereign credit rating 168–9
sovereign debt 100, 142, 152–65, 169–70, 209–12
2010 crisis 148, 150
default 233
Eurozone 32, 36, 147, 230–233, 235, 245–8
Greece 39
restructuring 207–11
sovereign guarantee 152–65, 169–71, 207, 211
Spain 35, 232, 235, 243
special resolution regime 109–12, 138
Spottiswoode, C. 85
stakeholders 14–15, 19–28
bailout 196
Financial Services Bill 81
standalone credit profile 165–9
Standard & Poor’s 165–7
Statute of the European System of Central Banks 218
stress test 11, 65
Stulz, R. 158
subordinated debt 7
Supervisory Capital Assessment Programme 11
Sweden 30, 41, 70, 124, 127
Swiss National Bank 33
systemically important financial institutions 9–10, 34, 41, 51–2, 79, 88–9, 138
capital surcharge 72
European Union 73
Federal Deposit Insurance Corporation 83
G20 43
global 44, 48–50
Tarashev, N. 169
taxation 37–40, 85
Taylor, M. 85
TBTF see too big to fail
Temporary Liquidity Guarantee 4
Term Asset-Backed Securities Loan Facility 6
terrorism 180–182
Thailand 60
Thomson Reuters 242
Tick History 242
too big to fail 7, 17–18, 46, 76, 79, 88, 126, 137, 200
transaction costs 232, 247
Treasury 15–16, 20, 32–3, 76, 81, 202
Italy 153
United Kingdom 108–10
United States 5–6
yield spreads 240
Treaty on the Functioning of the European Union 214–17, 220–221
Financial crisis containment and government guarantees

Troubled Asset Relief Programme 5–6, 11
United Kingdom 35, 83, 85, 100
  bank bonds 141
  bank resolution 105
  Banking Act 41, 108–9
  guarantee schemes 142
  House of Commons 40
  Icelandic banks 64, 119
  Insolvency Act 108
  interest rates 136
  Parliament 82, 110
  Treasury 80–81, 108
  Vickers Report 85–7
United States 4–10, 35–6, 189–90
  bailout 189
  bank bonds 141
  catastrophe insurance 58–9, 183–4
  Congress 58, 202
  dollars 233
  Federal Deposit Insurance
     Corporation 41
  Federal Reserve 31, 82–3

Financial Stability Oversight
  Committee 30
  guarantee schemes 142
  subprime mortgages 230
  UPLIFT 166–9
  utility banking 88
  Vickers, J. 85
  Vickers Report 85
  Volcker rule 87
  Wall Street 201, 204
  Washington Mutual 7
  Weber, M. 240
  Williams, J. 242, 248
  Winters, B. 85
  Wolf, M. 85
  Wood, G. 75
  World Bank 79, 184
  yield spread 143–4, 240
  Zaghini, A. 147