

Index

- Asset backed commercial paper (ABCP) 392, 397, 402
- asset price bubbles 9, 105, 324, 522
- asset purchase program 149, 330
- asymmetric information 259, 266, 275

- Bail-in instruments 304–307, 507
- bail-inable debt 270, 273–274, 313, 315
- bank-based financing 184
- bank-based system 184, 463
- banking regulation 28, 152, 196, 341–343, 345, 349–353, 389, 462
- Basel Capital Accord 365, 382
- Basel II 365, 389, 492
- Basel III
 - capital conservation buffer 193, 271, 409
 - countercyclical buffer 31, 42, 193, 229, 271, 431–432, 505, 510
 - framework 31, 33, 187, 402, 431, 434, 467
 - liquidity requirements 409, 433
 - liquidity rules 433–434
- Basel’s Committee on the Global Financial System (CGFS) 66, 71
- Borio paradox 70

- Capital ratio 36, 271, 305, 340–341, 369–370, 374, 390, 431, 445, 490–491, 494–495
- Capital Requirement Directive (CRD IV) 32, 152, 469
- capital standard 3, 54, 327, 392
- capital structure 293, 315–316, 349
- capital surcharge 34, 292, 303, 505
- Central Counterparties (CCPs) 275, 410, 416–418
- collateralised debt obligation (CDO) 12, 18, 277, 448
- collective action clauses (CACs) 133, 150, 175, 246
- colleges of supervisors 259
- consolidation 21, 25, 148, 164, 176, 177, 326, 402
- contagion 252–254, 275, 289, 291, 345–347, 440–455
- contingent capital instruments (CoCos) 192, 304–305, 508
- core capital ratio 36
- cost of funding 292, 304
- countercyclical capital buffer 31, 42, 193, 229, 271, 431–432, 505, 510
- country risk 8, 173
- credit crunch 18
- credit default swap (CDS)
 - premium 253–254, 291, 296
- credit gap 79, 92, 100, 102, 113–115
- credit-to-GDP gap 31, 73–78, 229
- crisis management framework 192, 524
- cross sectional dimension 71, 112, 189, 215–217, 223, 225, 391, 474
- cross-border
 - banking 411–414, 422
 - finance 413
 - financial interconnectedness 105
 - financial stability groups 259

- De Larosière Commission 459
- de Larosière Report 30
- debt
 - category of debt 315–316
 - contracts 24, 154, 237, 243
 - levels 8–9, 11, 13, 18, 23
 - overhang 145–146, 154
 - restructuring 150, 175–176, 238, 242–247, 254
 - treatment of debt 305–306, 312
- deposit guarantee schemes (DGS) 282–284, 300, 435–436
- deposit insurance system 329, 454

- deregulation 48, 359, 448, 513
- disclosure requirements 389, 506–507
- Dodd-Frank-Act (DFA) incl. legislation 53–55, 59, 310, 416–417
- domestic systemically important banks (D-SIBs) 260–262, 265
 - criteria to identify D-SIBs 260–261
- domestic systemically important financial institutions (D-SIFI) 259
- dynamic stochastic general equilibrium (DSGE) 102–103, 478–479

- Early warning indicators (EWI) 73, 92, 220–222
- Emergency Liquidity Assistance (ELA) 280–282, 520
- Endogeneity 364–365, 384
- EU Banking Structures 182–183
- European Banking Authority (EBA) 38, 457, 459–460, 467
- European Central Bank (ECB) 163, 170, 470, 518–520
- European Exchange Rate Mechanism (ERM) 161
- European Financial Stability Facility (EFSF) 129, 131, 167, 170–171, 520
- European Financial Stability Framework 168, 170–171
- European Market Infrastructure Regulation (EMIR) 417
- European Monetary Union (EMU) 164, 167–177, 248–249
- European passport 29, 462
- European small and medium sized enterprises (SME) 195
- European Sovereign Debt Restructuring Mechanism (ESDRM) 144–155, 175–178
- European Stability Mechanism (ESM) 127–133, 520
- European Supervisory Authority (ESA) 38, 522
- European supervisory framework 521
- European System of Financial Supervision (ESFS) 28, 38, 351, 457–461, 521–522
- European Systemic Risk Board (ESRB) 37–42, 194, 457, 460–461, 470–472, 522
- Externality 33–34, 238, 261, 284, 289, 371, 446, 450–452, 475, 477, 481–482
- Federal Deposit Insurance Corporation (FDIC) 54, 451
- feedback loop 128, 250, 252–253, 322–323, 325, 328, 330
- financial activity tax 377
- financial crisis 49–50, 52
 - global financial crisis 1, 64, 249, 323–324
 - Japan's financial crisis 318–333
- financial instability 30–31, 105, 216–217, 393, 530
 - paradox of financial instability 31, 69–70
- financial markets infrastructure (FMI) 275, 416
 - standards 275
- financial repression 20, 51
- Financial Services Action Plan 29
- financial spillovers 440–441, 444–445
- financial stability
 - contribution 306, 377
 - disruption 117, 120
 - indicators of financial stability 109–122
 - map 109–110
- Financial Stability Board (FSB) 189, 290, 311, 392, 399, 430
- Financial Stability Oversight Council (FSOC) 53–54
- financial system
 - bank-based financial system 184, 351
 - market-based financial system 184, 306, 351
- Fiscal Compact 130–131, 151
- fiscal transfer 143–144, 151–152
- flexible credit line (FCL) 171, 438

- G20
 - recommendations 270
- Glass-Steagall Act 451
- global systemically important banks (G-SIBs) 271, 279, 292
 - BCBS methodology for identification 260
 - criteria for identifying G-SIBs 279
- global systemically important financial institutions (G-SIFI) 409
- government debt 10–11, 15–16, 21, 23–24, 28, 33, 34, 38, 42, 45, 46, 47, 48, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

- 24, 241
- government-sponsored enterprises (GSEs) 49
- Harmonisation
- advantages 464
 - optimum degree of harmonization 464
 - types of harmonization 465
- home country control 28
- horizontal review 57–58
- household debt 9–10, 93
- housing boom 10, 394, 479
- housing price bubble 9
- Implicit subsidy 348, 366, 376
- incentive(s) 23, 40, 48, 50, 103, 128–129, 147, 152–153, 188, 191, 196–197, 205–207, 211, 243, 249, 258, 266–270, 276–277, 281–282, 292, 303–306, 315, 339, 340–344, 370, 372–374, 377, 385, 390, 401, 414, 419, 432, 435, 469, 494, 504–508
- interconnectedness 34, 73, 81–90, 105, 107, 109–110, 262–263, 290, 294, 375, 412
- intermediation function 445
- internal devaluation 139, 177
- international coordination 314–315
- international fiscal bailout program 20
- International Monetary Fund (IMF) 247, 254, 278, 422, 437–438, 528–529
- Intervention 15, 36, 48–49, 64, 295–296, 339, 359, 366–367, 371–373, 377
- invisible hand 46, 50, 53
- Knightian uncertainty 35, 279–280, 530
- Labour productivity 134
- Lamfalussy process 458
- Landesbanken 448
- lender of last resort (LLR) 59, 146, 149–150, 280–282, 319–320, 513–524
- level playing field 388–391, 414, 457, 488
- leverage ratio 152, 187, 409, 431, 493–494, 505
- liquidity
- global liquidity 104–105, 426, 436–438
 - liquidity coverage ratio (LCR) 2, 409, 432–433
 - management 426, 429–430, 434, 437
- provision 428, 438, 518
 - regulation 327–328, 506, 522
 - risk 41, 79, 403, 431–432, 505–506
 - standards 187, 431–434, 505–506
 - support 146, 151, 522
- Lisbon Treaty 129, 352
- living will 190, 273, 366, 380–382
- loan to deposit ratio (LTD) 79–80
- loan loss provision 92
- long-run redistributive mechanism 143
- long-term refinancing operation (LTRO) 16, 330
- loss absorbency requirement 42, 260, 270–272
- Macroprudential
- analysis 468, 470–471
 - approach 53, 55, 58, 68, 70
 - authority 41–42, 479, 489, 491
 - countercyclical policy 476, 482–483, 489–491, 496–497
 - instruments 28, 31, 33, 37, 71–72, 464, 469, 474–479, 503–504
 - mandates 41, 195
 - oversight 27–31, 37–42, 194, 457–461, 468–473, 522
 - regulation 37, 52, 62, 68, 121–122
 - supervision 53, 55–59, 192–194, 278, 470, 509, 511–512, 521
 - supervisors 39, 42
 - tools 33, 36–37, 42, 60–61, 277, 285, 469, 475, 503–504
- marginal expected shortfall (MES) 291
- market-based finance 48
- market-based financial sector 184
- market discipline 51, 53, 206, 209, 249, 254, 277, 281, 283, 292, 294, 297, 305–308, 312–313, 340, 348, 350, 362, 366–367, 373, 379, 381–382, 389, 506–507
- market equilibrium 312
- Markets in Financial Instruments Directive (MiFID) 417, 421
- maturity transformation 33, 193, 203–204, 315, 369, 392–393, 397, 445
- microprudential
- regulation 28, 52, 67–70, 128
 - supervision 28, 37–38, 52, 197, 278, 457–459, 470–472, 494, 511, 521
- minimum capital requirements 27, 340–341, 348, 431, 495

- monetary financial institutions (MFIs) 15–16
- money market contraction 331
- money market funds (MMFs) 41, 393, 395–396, 400, 433
- moral hazard 188, 292, 347–348, 378–383
 - minimizing moral hazard 259, 266–267, 269–276, 282–284
 - moral hazard distortion 267–268
- Net stable funding ratio (NFSR) 2, 409, 432, 505
- network analysis 223, 225, 263, 291
- no-bail-out clause 129
- nominal interest rate convergence 135–136
- non-performing loan (NPL) 92–94, 109–110, 117, 123, 319, 322
- Over-the-counter derivatives (OTCD) 3–4, 55, 410, 416–418, 522–523
- Paris Club 244–245
- phase-in period 328, 370
- point-of-non-viability 306–308
- precautionary conditioned credit line (PCCL) 132, 171
- precautionary credit line (PCL) 154, 171, 438
- present value borrowing constraint (PVBC) 241
- primary market support facility 132
- principal-agent problem 204, 266, 268, 274, 340
- Prompt Corrective Action (PCA) 372–373
- Quantitative Easing 330–331
- Rating agencies 204, 237, 252, 297, 307, 449–452
- real economic convergence 144, 167, 172, 174
- real exchange rate 138–139
- real GDP growth rate 74–75, 109, 117
- recognition lag 233
- recovery and resolution plan (RRP) 190, 273, 366, 381–382, 385, 409, 415, 530
- redemption fund 146
- regulation
 - behavioural regulation 365, 369
 - costs of regulation 343, 345, 364
 - First Banking Directive 28
 - objectives of regulation 362
 - Second Banking Directive 29
 - solvency regulation 340–342
 - regulatory
 - arbitrage 29, 153, 186, 304, 358, 364–365, 375, 383, 398, 401, 414, 416, 420, 423, 464–465, 507
 - framework 50, 186–187, 345, 407–408, 413–415, 474, 496, 524, 528
 - initiatives 408, 431
 - instruments 43
 - reform 47, 202, 345, 351, 359–363, 373–374, 384, 402, 407–408, 413, 495, 497, 528–529
 - repo 14, 393, 395, 401–402
 - resolution
 - arrangements 359–362, 366, 374, 378–385
 - authority 192, 208, 273–274, 311–312, 314, 455
 - framework 192, 259, 273, 310, 315, 434
 - plans 273, 366, 380–382, 410, 415
 - regime 3, 148, 153–154, 190, 208, 273, 311, 359, 363, 378–381, 409
 - scheme 329
 - restructuring
 - post-default restructuring 242
 - pre-emptive restructuring 242–243
 - ring-fencing 348, 375–377, 416
 - risk dashboard 35
 - risk of contagion 29, 128, 258, 396
 - risk premium 153, 296, 313
 - risk-weighted assets (RWA) 18, 36, 152, 303, 322, 409, 431, 491–493
- Secondary market support facility 132
- Securitisation 11, 50, 202–204, 277, 364, 393, 401
- shadow bank
 - shadow banking sector 4, 20–21, 392, 395
 - shadow banking system 4, 36, 392, 394
- Six Pack 130
- Social Contract 207–208
- social costs 294, 360–365, 450
- sovereign debt 130, 135, 172–177, 237–

- 255, 325
- Sovereign Debt Restructuring Mechanism (SDRM) 175, 178, 246
- sovereign default
 - liquidity problem 241
 - sustainability problem 241
 - unwillingness to pay 241
- sovereign risk 128, 133, 237–255, 487–488
- spillover effects 81, 428, 440–455
- Stability and Growth Pact 23, 127–130, 151, 163–164, 249, 523
- stress test 70, 226–228
- structural
 - capital buffer 505
 - externalities 33
 - measures 53, 366, 368–369, 374–375
 - reform 51, 53, 128–130, 165, 326,
- structured early intervention and resolution (SEIR) 372
- supervisory
 - colleges 270, 459
 - framework 521–522
- synthetic indicators of financial stability
 - interconnectedness α -index 111
 - principal component analysis (PCA) 112
 - quantile regression (QR) 117
- systemic importance 34, 83, 225–226, 260–262, 289–292, 465
- systemic risk
 - contribution index 291
 - cross-sectional dimension 70, 223–226, 392
 - definition of systemic risk 66, 289, 391
 - meaning of systemic risk 345
 - measuring systemic risk 215–229, 291
 - time dimension 69, 217, 391
 - transmission mechanism of systemic risk 69, 217, 391
- systemic stability 8, 13, 347, 360–363, 378–379
- systemically important banks (SIBs) 288–308
- systemically important financial institutions (SIFIs)
 - criteria to identify SIFIs 270–272
 - definition of SIFIs 290
 - resolution process 197, 272–275
 - supervision 276–279
- Target II (im)balances 138
- tax
 - subsidy 348
 - treatment of debt 305, 370
- too-big-to-fail (TBTF) 2–3, 190, 272, 289, 292–293, 297, 307, 337, 345, 347–349, 409, 419
- too-big-to-save 288
- too-interconnected-to-fail 288
- trade repositories 3, 275, 410, 417–418
- transactions tax 450
- Treaty on Stability, Coordination and Governance (TSCG) 130
- Treaty on the functioning of the European Union
 - no-bail-out clause 129
- trilemma 30
- Uncollateralised pre-emptive liquidity facilities 171
- unfunded public pension liabilities 10
- US dollar funding risks 41
- US subprime crisis 7
- Vienna Initiative 166–167
- Volcker rule 55
- Welfare economics 337, 338
- White Paper 29
- Z-score 184