Index

ABS Alert 67
Alliance for Corporate Equity (ACE) 23, 178
as means to prevent securitization of assets 24
allowance for corporate equity (ACE) scheme
proposed use of 68
Amazon.com, Inc.
tax avoidance activities of 173
asset diversification 54
asset management 172
asset prices 6, 19
downward spirals 16
inflation 183
asset risk 57–8
asset substitution 58
Association for Financial Markets in Europe (AFME)
reports commissioned by 94
bail-outs 91, 104–5, 174, 184
implicit guarantee associated with TBTF 185
prevention of use of taxpayer money in 73, 182
balance sheet 14–15, 58, 67, 73, 75–6, 85, 96, 173
constraint 76–7
off 55, 58
on 55
financing 64–6, 68
reduction of 97
sovereign 13
bank concentration (CONC) concept of 38
bank levy 4, 24–5, 79, 85–6, 88, 167, 182, 185, 187
burden of 27
harmonization of 187
money collected with 93–4
proposals for 28–9, 73, 76, 95–7, 165
tax incidence of 76
Bank for International Settlements (BIS) 18, 90
definitions of microeconomic causes 4–5, 13–14
proposal for systemic capital charge 18
triennial assessment (2013) 101
Bank of England 105
bank resolution and recovery fund (BRRF) 182
Bank Tax 26
bankruptcy 33, 55, 174
cost of 33, 56
risk of 33
Bankscope 67
Barclays PLC
Qatari capital raising deal 29, 161
base erosion and profits sharing (BEPS) 127–8
Action Plan 128
Basel Accord (1988) 58
Basel Accord II 58
Basel Committee on Banking Supervision (BCBS) 184
recommended balance sheet measures 14–15
Basel II Standard
Pillar 1 15
Basel III
aims of 90
Brazil 26
Canada
banking sector of 185
capital 8, 11, 59, 77, 97, 133, 167, 173, 184
ratios 25
requirements 7, 15, 18, 35, 77
risk-based 33
shareholders’ 145
Taxing banks fairly

Capital Gains Tax (CGT) 183
Cayman Islands 60
central counterparties (CCPs)
  proposed establishment of 19
China 26
  Hong Kong 26
collateralized debt obligations (CDOs)
  proposed banning of 14
collateralized loan obligations (CLOs)
  systemic risk generated by 69
compensation 4, 170
  fairness issues related to 170, 175
  related to performance 171
structures 16
Continuous Linked Settlement Banks
  (CLS)
  creation of (2012) 101
Corporate Income Tax (CIT) 22, 26,
  31–3, 39, 43, 46–7, 55–6, 60, 64–8,
  75–7, 85, 88, 92, 95
  leverage inducing effect of 33–4,
  43
  pass-through of 80, 83
  tax-distorting effects of 66–8
credit default swaps (CDS)
  proposed banning of 14
  systemic risk generated by 69
credit demand
  elasticity of 79, 86–8
  credit enhancement 57
credit expansion 6, 57
  funding of 56
credit rating agencies 5, 57
  oversight for 16
credit risk 31–2, 35, 43, 46
  bank 37, 47
  impact of taxation on 47
  transfer (CRT) 54, 57–8
currency mismatching
  proposed limitations on 20

Darling, Alistair
  British Chancellor of the Exchequer
  97
  Budget (2009) 101–2
debt 76, 178, 180
  after-tax cost of 59
  bias 23, 28, 31
  financing 59, 66, 180
  interest payments on 47

public 13
  restructuring cost 56
  securitised 174
  tax shield theory of 33
deposit guarantee fund (DGF)
  182
deposit insurance 3, 7–8, 12, 57
  pre-funded schemes 3–4
  premiums 185
  risk-related 182
  risk-related 14
Deutsche Boerse 119
difference-in-difference (DiD)
  methodology 119
Dworkin, Ronald 159–60
Efficient Market Hypothesis 108
equity 2, 15, 31, 47, 57, 64, 73, 76–7,
  115–17, 134, 153, 157, 185–6
capital 14, 36
  dividend payments on 28
  financing 21, 31, 33, 55, 59, 66, 178,
  180
  holdings 6
  issuing of 56, 64
  of taxation 157
  returns on (ROE) 24, 31, 187
tax-adjusted cost of 55, 64, 66
  trading 114
Euronext 119, 121
European Commission (EC) 139,
  184
  Council Directive 100
  Eurobarometer 73
  proposal for FTT 24–5, 27–9,
  99–100, 107–8, 134, 185
  proposal for restriction on bonus
  payments 98
European Court of Justice (ECJ) 100,
  136, 153
  Commissioners of Customs and
  Excise v. The First National
European Union (EU) 7, 19, 80, 108,
  138, 182, 184
  banking sector of 151
  financial service sector in 23
FSAP 145
Markets in Financial Instruments
  Directive (MiFID) 114
member states of 28, 107, 133, 135, 139, 146, 148, 152–3
Single Resolution Mechanism (SRM) 154
Single Supervisory Mechanism (SSM) 154
Eurozone 11, 155
proposals for European Banking Union (EBU) 184, 187

Financial Accounting Standards Board (FASB)
FASB 140 57
Financial Activity Tax (FAT) 3, 24, 29, 68, 99, 157, 164, 166–7, 177–9
as alternative to VAT 21
nonlinear 24
revenue raised under 166–7
financial stabilization funding 165–6
methods of raising 21
Financial Stability Board (FSB) 19
regulatory framework (2010) 16
concept of 177
FAT1 24
FAT2 24
FAT3 24
general 23
impact on repo market 25, 27, 184
targeted 23
Tobin Tax case for 182
use in raising revenues 98–9
fire sales 16
fiscal neutrality 131
fiscal transparency 16, 90, 127–8, 154, 164
increase of 19
lack of 129–30, 133, 139
use in regulation 128
France 8, 26, 28, 73, 94, 107–8, 112, 118, 187
CAC 40 index 116
FTT in 115
STT in 26, 108–9, 111, 116–18, 120–1
turnover ratio in 115

Germany 8, 28, 73, 94, 109, 111, 116, 121, 134, 187
DAX index 116
taxation system of 22
Global Financial Crisis (GFC)(2007–9) 1–4, 6–8, 18–19, 29, 31, 90–2, 105, 156, 163, 167, 170
microeconomic causes of 4
Google Inc.
tax avoidance activities of 173
Greece 27
Gross Value Added (GVA) 1, 23–4, 91–2
Group of Twenty (G20) 7–8, 13, 68
GDP of 12
Pittsburgh Summit (2009) 98
St Petersburg Summit (2013) 127

Hickey, Loughlin
ICAEW Hardman lecture (2005) 102
holding equity tranche 56
Hungary 73, 87
Bank Tax 25, 27, 78, 85
government of 78
Hungarian Central Bank 86
implicit recourse 56, 58
implicit tax rate 39, 43, 83, 85
income tax 92–3, 97
comprehensive business (CBIT) 178
inflation
asset price 183
impact on insolvency risk 46
rate 38
initial public offerings (IPOs) 154
insolvency risk 43
bank-level 31–2, 35–7
impact of inflation on 46
impact of taxation on 47
Institute of Chartered Accountants of England and Wales (ICAEW) 22, 103
Hardman Lecture (2005) 102
personnel of 100
insurance 2–3, 38, 136, 145, 159–60, 172, 183
deposit 3–4, 7–8, 12, 14, 57, 185
exempt 22
implicit 3, 18, 29, 174, 179, 182
public pooled 2, 187
interest payments 29, 59, 64, 149
expensing of (tax deduction) 25, 29, 31, 47
tax exemption of 178
interest rates 13, 79–80, 151–2
impact of taxation on 79
impact on risk-taking 34
long-term 6
of loans 75
International Accounting Standards
Board (IASB) 16
consolidated financial statements
issued by 151
International Financial Reporting
Standards (IFRS) 151
International Monetary Fund (IMF)
13–14, 38, 176–7
analysis of financial sector support
utilization 8, 11–12, 28
interim report for G20 (2010) 28–9,
68, 98
personnel of 23, 149
International Organization of
Securities Commissions (IOSCO)
personnel of 16
investment 5–6, 59, 63, 150, 161, 173,
182–4
debt-based 162–4
profile 165
real estate 38, 172
investment banking 144–5,
172
Italy 94, 107–8, 112, 116, 118
FTT in 115
STT in 108–9, 111, 117–18
turnover ratio in 115
Izza, Michael 100
Japan 8
Jersey 60
Keen, Michael 23
KPMG
Corporate and indirect tax survey
(2011) 37–8
Labour Party (UK)
taxation policies of 165
Lehman Brothers
collapse of (2008) 92
liabilities 7–8, 76
non-deposit 76
liquidity 8, 11, 18, 56, 64
adequacy requirements 186–7
excess 6
influence of STT on 118
market 107–8, 118
measures of 121
ratios 25
Lloyds TSB
government ownership of 173
loan-to-income ratio 20
loan-to-value ratio 20
loans 23, 55–6, 63–4, 79–80, 149, 151–2
as illiquid assets 56
corporate 80
defaulting on 145
demand for 76–9
interest rates of 75
non-performing (NPL) 37, 43, 47
outstanding 25, 27, 87
proposed taxation of 152
sales 56–7, 59
securitization of 6, 59, 65–6, 173
small 80
syndicated 148
taxation of 152
loans-to-asset ratio 34
London Interbank Offer Rate
(LIBOR)
Scandal 29, 161
macro-prudential externalities
concept of 16
market capitalization 116
year-end 114, 118
market concentration (CONC) 46
Metropolitan Statistical Areas (MSAs)
66–7
senior population of 66
microeconomic causes
failures of risk measurement and
management 4–6, 15–16
flawed incentives 4
weakness in regulation and
supervision 4
mortgages
sale of 59, 66–7
values of 66
Mullineux, Andy 21, 25, 181, 187
Index

multinational corporations investment in 163
multinational enterprises (MNEs) 127
Murphy, Liam

Nagel, Thomas
net interest margins (NIM) 75, 83, 85–7
development of 86
Net Stable Funding Ratio (NSFR) proposals for 184
Netherlands 26
New York Stock Exchange (NYSE) 113
New Zealand 146–7
flat rate VAT in 22
North Atlantic Liquidity Squeeze 186
Northern Rock nationalisation of (2008) 173
ordinary least squared (OLS) estimation 36
Organization for Economic Co-operation and Development (OECD) 26, 59, 67–8, 75, 80, 128, 137
identification of principles in levying VAT
destination principle 137
neutrality principle 137
over-the-counter trading 13
overcollateralization 56

payment protection insurance (PPI) 161
misspelling of 29
Pigouvian tax 73
Poddar, Satya
development of TCA VAT calculation method 148
PricewaterhouseCoopers (PwC) estimation of payments of non-recoverable VAT in EU (2007) 133–4
financial service sector reports (2013) 93–4
Total Tax Contribution methodology 93–4

progressive tax 157, 160, 162, 164, 167
Qatar 29, 161
recapitalization 7, 11
net direct cost of 12
public 12
regulation 2, 33, 67–8, 90
of capital 58
proposals for 14, 19
use of fiscal transparency 128
use in controlling risk-taking 37, 46
capital adequacy requirements (CARP) 37, 43
market discipline (MARDIS) 37, 46
official supervisory powers (SUP) 37, 43
restrictions on bank activities (ACT) 37–8
regulatory capital arbitrage (RCA) 54, 57–8
‘reverse’ effect 58
repo market 181–2
impact of FTT on 25, 27, 184
Republic of Ireland 27, 60
capital requirements in 15
return on assets (ROA) 36
risk-taking 16, 21, 32, 43, 46–7, 164, 176, 187
excessive 6, 14, 68, 91
impact of interest rates on 34–5
relationship with taxation on 29, 31–2, 34–8
use of regulation in controlling 14, 24, 37–46
risk-weighted assets (RWA) density 34
Royal Bank of Scotland (RBS) 105
government ownership of 173
Russian Federation St Petersburg 127

securities 38
asset-backed (ABS) 54–6, 59, 64
credit rating of 57
investment in 64–5
issuing of 67
issuing of 55, 59
market 63
mortgage-backed 6
Securities Transaction Tax (STT) 26, 107–9, 111, 116–18, 120–1
impact on turnover ratio 121
impact on volatility 26, 118
securitization 13, 27, 58–9, 64, 67–9
agency cost of 56
asset securitization 55, 57, 66
markets 54
concept of 56, 58–9
distortionary effects of taxation on 24, 26, 54, 56, 63
excessive 68–9
exposure 16
financing cost 56–7
fixed cost of 65–6
mortgage-backed 6
of loans 6, 59, 65–6, 173
transactions 58–60
influence of taxation on 55–6, 63
‘shadow banking’ system 6, 19, 25, 27
shareholders 37, 95, 163, 174, 185, 187
bank 2–3
capital of 145
small- and medium-sized enterprises (SMEs) 148, 186
Smith, Adam 157
Sorkin, Andrew
Too Big to Fail 104–5
Spain 115–16, 118
special purpose vehicle (SPV)
concept of 60
limited liability company (LLC) 60
limited partnership (LP) 60
public limited company (PLC) 60
securities issued by 55
trusts 60
use of tax havens 60
speculation 108, 181
currency 99, 177
excessive 26
Starbucks Corporation
tax avoidance activities of 173
statutory rate of taxation 83
stock exchange 108
structured investment vehicles (SIVs) 173
Switzerland 26, 115–16, 118
capital requirements in 15
system risk reduction
codes of conduct 101–3
measures for 17
prevention of TBTF 17–18
proposed payments for
in response to bail-outs 104–5
systemically important financial institutions (SIFIs) 3, 17, 25, 185
international (ISIFIs) 183
international supervision of 18
tax avoidance 22–3, 28, 60, 101, 118, 162–3, 172–3
tax havens 60, 156, 164, 167
tax losses 128–9
tax neutrality 60
Thompson Reuters
Monthly Market Share Reports 109, 113–14
Tobin, James
Tobin Tax 99, 164, 177, 182
too big to fail (TBTF) banks 2–3, 17, 25, 28, 90–1, 170
impact on risk incentives 43
implicit bail-out guarantee associated with 185
proposed prevention of 17–18
systemic risk of 176
transaction tax
multi-currency 101
transfer pricing 22
Turner, Lord 174
turnover ratio 114–17
concept of 118
impact of STT on 121
United Kingdom (UK) 1, 5, 8, 26–7, 73, 91, 94, 106, 109, 116, 118–19, 121, 163, 170, 173, 177, 179, 187
Bank Levy 92
concept of 96–7
introduction of (2010–11) 96
bank payroll tax (2009–10) 97
capital requirements in 15
City of London 94, 173
Coalition Government 96, 99–100, 103, 165
emergency Budget (2010) 95
Finance Bill (2014) 96
Corporation of London 93
economy of 90–1, 94–5, 104
financial services sector of 1, 91, 94
Financial Stability Contribution (FSC) 164–5, 177, 179
government of 93, 173
HM Revenue & Customs (HMRC) 92, 102–4
Parliament 102
House of Commons 91
taxation system of 2, 92–5, 172
code of practice on taxation for banks 101–4
GVA of 1, 91–2
Pay As You Earn (PAYE) 92–3
Treasury Department 134
United Nations (UN)
Leading Group on Innovative Financing for Development Group of Experts 100–1
United States of America (USA) 3, 8, 18–19, 38, 60, 184
Federal Deposit Insurance Corporation (FDIC) 182
Home Mortgage Disclosure Act (HMDA) 66
mortgage sales in 59
Regulation National Market System (Reg NMS) 114
Senate Committee on Banking, Housing and Urban Affairs 18
Troubled Asset Relief Programme (TARP) 172
US Financial Accounting Standards Board (FASB) 16
Value Added Tax (VAT) 2, 4, 21, 23–4, 75, 93, 104, 128–9, 132, 135, 140–1, 143, 145, 150–5, 167, 177–8, 183
avoidance schemes 22–3
blocked 131
business-to-business (B2B) 22, 144
calculation of 146–7
cash flow 147–8
truncated 149
classic system of 146
deductible 130
non-deductible 130
embedded 138
exemption from 25, 130–1, 133, 137, 139, 142, 145–7, 165–6
flat rate 22
input 135, 142, 147, 149
deduction of 147, 153
recovery of 131, 141, 148
potential revenue from 140–2
non-recoverable 132–5, 140–2
output 152
rate of recovery 129
recoverable input 141
reverse charge model 149
modified 150
subtraction type 147
tax calculation account (TCA) method 148–50, 154
use on financial services 100, 154
volatility 26, 107, 129
impact of STT on 26, 118
impact of transaction tax on 121
market 108, 120
international 144
measurement of 121
of foreign exchange markets 99
Volcker, Paul
testimony to Senate Committee on Banking, Housing and Urban Affairs (2010) 18
Weidmann, Jens 186
World Bank 113, 116
World Development Indicators (WDI) 38
Young, Ian 22
Zee, Howell
development of reverse charge model of VAT calculation 149