Index

AA 234
Abbey National 237
see also Santander
ABN Amro 18, 21, 198, 199, 200
accountability 112–13
accounting 216, 243
asset valuations 91, 219
‘mark to funding’ 91
standards 68, 226
EU Regulation 221
‘reference standard’ 218
see also auditing; disclosure; Enron
AC World index 32, 33, 38, 39
administration 204
see also bailouts, bankruptcy;
failures, insolvency,
liquidations, Prompt Corrective
Action model, special
resolution regime, takeovers,
winding up
AIG 17, 19, 78, 83, 87, 91, 188
AIM 241
Alliance and Leicester BS 18, 197
American Home Mortgage 14
Argentina 42, 137, 139
Convertibility Plan 40
ARROW (Advanced Risk Responsive
Operating Framework) 195, 196,
198, 200
Asia 30, 37, 38, 39, 40, 43, 139, 182, 204
Pacific 253
south east 139
asset
pricing 91, 122, 126
ratios, Basel type 202
stripping 234
swapping (illiquid) 204
see also accounting, valuation
asymmetries
information 7, 25, 51, 52, 56, 60, 62,
171, 215–27, 232
bank performance relevant
information (BPRI) 216–19
auditors 85, 88, 242, 243
UK 243, 244
see also Enron
Australia 33, 34, 47, 88, 170, 237
parent banks of New Zealand banks
170
PPP 250, 252, 253, 254, 255, 262
avoidance
‘Regulation Q’ 176, 179
‘bailouts’ 30–47
see also administration, bankruptcy;
busts, failures, insolvency,
liquidations, Prompt Corrective
Action model, takeovers,
winding up
Bangladesh 47
banking markets
PPP 252
see also markets
Bankers’ Trust 24
Bank of
America 16, 17, 21, 34, 35, 185
Merrill Lynch 17, 21, 74, 185–6
England see central banks
bankruptcies 83
see also administration, bailouts,
failures, insolvency,
liquidations, Prompt Corrective
Action model, special
resolution regime, takeovers,
winding up
banks
asymmetries in bank performance
relevant information 217
branches of foreign banks 87
capital requirements 52, 68, 89, 147,
162
corporate banking 94–5
cross-border 155–72, 218
definition, historical 146
electronic 94
equity see equity; moral hazard
functions: separation of banking/ non-banking 93
licenses
FSA (UK) 195
regulation 230–48
how should ‘large’ banks be
regulated? 147
as utilities? 246
pre-positioning: regulators to be
prepared for failures 149, 155, 156
why are traditional banks
regulated? 146
risk
systemic 72
special resolution regime (UK) 22, 203
supervisors
college of supervisors 166–7
‘too big to fail’ 188
‘too big to save’ 156
‘too complex to save’ 155
top 20 banks in world (by market
capitalisation) 34
‘tripartite agreement’ see UK
see also bridge banks; central banks;
investment banks
Barclays 145, 243
Barclays Capital 92
Barings 137, 142, 143, 149–50
Basel Accords 222–4
I 110
Accord on CARs 89
II 4, 89, 110, 163
capital adequacy requirement 89
III
Pillar 2 163
Pillar 3 163, 223
Basel type asset ratios 202, 207
core principles 223
failed accord on liquidity 89
BCCI (Bank of Credit and Commerce
International) 87, 150
Bear Stearns 14, 16, 17, 30, 77, 78, 83, 188, 206
Belgium 33
PPP/Liefkenshoek rail tunnel project
259–60
Birmingham Midshires 199–200
BMW 232
bonds 251–2
issuers 17
monoline 17
bonuses see remuneration
booms
commodity and security prices
(2002) 10
housing/mortgages, US 10
Boots 234
BPRI (bank performance relevant
information) 217
Bradford & Bingley 18, 195–7
fined for mis-selling 200
mis-selling precipice and with-profits
bonds 197, 200
Brazil 31, 32, 33, 34, 35–6, 39, 47
real 36
Selic rate 35
BRIC (Brazil, Russia, India, China)
economies 31
see also Brazil, China, India, Russia
bridge banks 169, 203
building societies 15–16, 199–202
see also Alliance and Leicester,
Bradford & Bingley, Derbyshire and
Cheshire, Dunfermline,
Nationwide, Northern Rock,
TSB
business failures see bailouts,
bankruptcy; failures, insolvency,
liquidations, Prompt Corrective
Action model, special resolution
regime, takeovers, winding up
buy-to-let see mortgages
CAMELS ratings 163
Canada 33, 47, 143, 144
PPP 250
capital
adequacy 52, 89, 147, 162
standards 68
‘efficient’ 215
markets 251–2
‘perfect’ 215
ratios (UK banks) 195, 207
requirements 52, 147
triggers 163–4
capitalism
‘the new financial capitalism’ 241–4
carry trades 238
CDS see credit default swaps
central banks 83–96, 204, 236
Bank of Canada 204
Bank of England 203, 204, 236
19th century 134–9
first emergency action 135
lender of last resort (LoLR) activities 6, 134, 137, 138, 139, 147, 149, 244
beginnings 138, 149
role: stage 2 after FSA 168
liquidity scheme 20
Bundesbank 201
ECB 14, 15, 90, 119, 129, 165, 167, 204
beginnings 124, 125
independence from politics 120, 129
interest rates 119, 121
lender of last resort (LoLR) activities 6, 86, 90, 91, 121, 125–8
19th century experience 139
macro LoLR 125–8
origins of central banking 123–4
post-modern central banking 124
‘quantitative easing’ 20, 126
see also IMF; moral hazard
Reserve Bank of New Zealand 170
Riksbank 204
role and relationship with financial stability 118–31
US Federal reserve 90, 204,
ceilings
deposit rate 1933 US 176, 180
‘Q ceilings’ 177
chief executives’ pay and benefits 86, 95–8
see also moral hazard; remuneration
Chile 47
China 33, 34, 47
currency 43–4
Citigroup 9, 30, 35
City of Glasgow Bank failure (1878) 84, 137
closure rule 159
CMOs see mortgages
co-insurance see insurance
collateralised debt obligations (CDOs) 11
college of (banking) supervisors 166–7
Colombia 47
companies
European Company Statute 168
see also corporate governance
competition 61
compliance costs 54, 58, 201
conditionality 253
consumer
disclosure 51
see also disclosure; FSA
protection 69, 103
mis-selling 14, 25, 200, 245
see also mortgages, mis-selling
Continental Illinois National Bank 182
corporate
banking see banks
governance 230–46
Lord Myners’ review 233–4, 242, 243
OECD principle 226
private equity and Anglo-Saxon model 239–41
legal structure 76, 134–5, 168
lending 197–8
Countrywide Financial 14
‘covenant-lite’/‘cov-lite’ loans 231
CRB index 39
credit
 crunch see UK
default swaps (CDS) 74, 75, 91–3
ratings 13
agencies 13, 202, 217, 242
EU licence 168
Moody’s 224
Standard & Poor’s 224, 252
Credit Suisse 232
Croatia 42
cross-border banking 155–72, 218
currencies
China 43–4
devaluations 37
US
Argentinian peso 139
Mexican peso 44, 45
US dollar/Russian rouble 45, 46

Christopher J. Green, Eric J. Pentecost and Tom Weyman-Jones - 9781849808712
Downloaded from Elgar Online at 01/22/2019 05:05:34AM
via free access
The financial crisis and the regulation of finance

see also carry trades; Europe, Euro; exchange rates; pegging; swaps
Czech Republic 43, 47, 164
data
analysis models
Data Envelopment Analysis 62 econophysics techniques 62
see also information
DBFOM (design-build-finance-operate-maintain) mode 250, 257
debt
interest deductibility 233
subordinated debt and moral hazard 91–3
see also collateralised debt obligations (CDOs); mortgages; securitization; ‘toxic debt’
‘decoupling’ 31
definitions
‘bank’ 146
‘bank performance relevant information (BPRI) 216–19
‘efficient capital markets’ 215
‘financial crisis’ 134
‘LoLR’ (lender of last resort) 134
macroprudential 101–01, 102–06
microprudential 102–06
‘perfect capital markets’ 215
‘systemic risk’ 181
‘systemic shock’ 181
de Larosière see Europe, Commission
Denmark 157, 219
Roskilde 157
deposit
guarantee schemes 216, 221–2
insurance 15, 16, 22, 71, 72, 85, 86–7, 88, 110, 155, 157, 159, 166, 169, 177, 181, 208, 226
100 per cent scheme 88, 205
co-insurance 71, 86, 205, 226
EU 22, 88, 168, 221
proposed European Deposit Insurance Corporation 168
Eurodollar 178
limits 180
losses, minimizing 159
private sector/public sector 91
UK 87, 205
US, Federal Deposit Insurance Corporation (FDIC) 16, 71, 159, 161, 162, 163, 168, 169, 177, 182, 186, 187, 188
rate ceilings 1933 US 176
see also moral hazards
Deutsche Bank 18
devaluations see currency
Dexia (Franco-Belgian) 155
director’s remuneration see moral hazard
disclosure rules 51, 215–27, 231
EU 215–21
‘discounted least squares learning’ 202
diversification 144, 145, 227
documentation
PPP (gearing, amortisation, covenants) 254
Drexel Burnham Lambert 72, 73
due diligence 21, 24, 199, 200, 238, 257
Dunfermline Building Society 18, 199, 200
early diagnosis of problems see Prompt Corrective Action
econometrics 202
Ecuador 47
‘efficient markets hypothesis’ 85, 215
Egypt 47
EMEA area (Europe, Middle East and Africa) 42, 43
emergency actions
US
extension of government guarantees to bank debt issuance 180
limiting executive compensation 180, 189–90 see also
remuneration
nationalization of Freddie and Fannie 180 see also Fannie Mae and Freddie Mac
raising deposit insurance limits 180
see also central banks; Prompt
Index

Corrective Action; US, laws, ‘Regulation Q’ 30–47
emerging markets improvement in current account and fiscal balances 41
MSCI All-Country World Index 32, 39
reduction of external debt 41, 42
Enron 13, 206, 243
equity 93–5
bear market 32
holders, bank equity 84
see also moral hazard
markets 32, 33
PPP 252
Ericsson 232
Eurodollar deposits 178
Europe
cross-border regulation 22, 193
Lamfalussy committees 193
deposit insurance, UK v EU approach 87
disclosure rules 215–27
eyearly intervention
survey by Committee of European Banking Supervisors 164
ECB see central banks
Emerging Europe 30
EU financial passport 22, 88, 158
Euro membership 42
European Banking Authority 165
proposal for new EBA 167
Commission
de Larosière Group report 156, 164, 166, 167, 222
Company Statute 168
Directives
Capital Requirement 162
Deposit Guarantee Schemes (2009/19/EC) 221–2
Harmonisation of
Transparency Requirements/Securities Traded on Regulated Markets (2007/14/EC) 220–21
licenses (credit agencies and post Trading infrastructure) 168
market in financial instruments 52
Organisation for Financial Supervision 167
Prompt Corrective Action model 155–72
proposal for new European banking authority 167
proposals
cross-border mediation/resolution body 168, 172
European Deposit Insurance Corporation 168
European supervisor 172
standards for measurement of financial instruments 221
System of Financial Supervision 167
System of Financial Supervisors 167
taking up and pursuit of credit institutions (2006/48/EC) 219–20
see also EMEA
exchange rate ‘crawling’ pegs 44
fixed pegs 40, 42, 43
regimes, flexible 31
see also pegging
executive remuneration 95–6
capping, US 180, 189–90
see also moral hazard
‘extreme value’ theory 107
failures see bailouts, bankruptcy;
failures, insolvency, liquidations,
Prompt Corrective Action model, special resolution regime, takeovers, winding up
Fannie Mae and Freddie Mac 16, 19, 21, 23, 78, 92, 180
FDIC (Federal Deposit Insurance Corporation) 16, 71, 159, 161, 162, 163, 168, 169, 177, 182, 186, 187, 188
see also US, laws FDIC Act
fiduciary duties 25, 240
financial
passport see Europe
safety nets 221–2
Services Compensation Scheme see UK
see also deposit guarantee schemes; emergency actions; Prompt Corrective Action

Finland 33
First Boston
fixed pegs 40, 42, 43
Fortis 18, 155
France 31, 33, 47, 85, 138, 259, 262
Banque de France 138
PPPs 259
fraud 159, 199
see also insider trading
dringe banks 143
FSA 30–47, 51–63
bank crises reasons 202
Bank of England relationship 168, 203
beginnings 124, 125
codes
remuneration policies 245
cost-benefit analyses 54
failures/omissions 55
criticised for not focussing on macro aspects 201
regulatory tools in place but not deployed 193–208
impact on competition in financial markets 55
insider trading studies 61
mandate consumer disclosures 51
financial services sector standards 51
market conduct rules 51
market cleanliness research 61
FSMA see UK, laws

G6 31
G20 101,109
Financial Stability Board 53
GDP
market capitalization ratio 33
per capita v GDP growth 47
General Motors Acceptance Corporation 207
Geneva Report ‘The fundamental principles of financial regulation’ 91

Germany 18, 19, 20, 31, 33, 47, 83, 85, 140, 201, 231, 233
see also central banks, Bundesbank; Deutsche Bank; HRE, Hypo Real Estate, IKB
Ginnie Maes 11
Glass-Stegall see US, laws
Glitnir 157
globalization 120
Great Depression 138, 143, 144, 175, 190
Inflation 119
Moderation 119

HBOS 148, 197–8, 199, 206, 242
2002 ARROW 200
Lloyds-TSB 198, 204
part-nationalisation 204
subsidiaries
Birmingham Midshires 199–200
The Mortgage Business 199–200
hedge funds 78, 181, 183, 204, 206–08, 230, 233, 234, 238, 262
impact of Madoff scandal 239
Long Term Capital Management 183, 206
TPG-Axon 237
voluntary codes 234
see also private equity funds (PEFs)
Herstatt crisis (1974) 78
Hong Kong 33, 34, 47
Hong Kong and Shang Hai Banking Corporation 145
Hornby, Andy 148
Hungary 42, 43, 47, 164
Hypo Real Estate 18

Iceland 156
see also Glitnir, Kaupthing, Landsbanki
IMF 3, 4, 21, 37, 38, 40, 41, 42, 47, 102, 182, 207
income distribution 55
tax (corporate) 189
India 16, 33, 34, 35, 47, 77
Indonesia 37, 38, 47, 139
industrial production
OECD figures 19
IndyMac 16
Index

inflation 119, 139, 178, 201
tax 124
information 215–63
deficiencies 202
shareholder 218–9
see also asymmetries;
documentation
insider trading 61, 231
see also fraud
insolvency 204
see administration, bailouts, bankrupcty; failures, liquidations, Prompt Corrective Action model, special resolution regime, takeovers, winding up
insurance 79, 80, 109, 110, 183, 188, 194, 231, 246
by banks 25
monoline bond insurance 17
premia 105, 108, 168
toxic assets 20
see also AIG, credit default swaps, deposit insurance, LoLR, pensions (PPI)
interest rates 119, 121
1933 ceilings 176
swaps 24
zero-interest rate policy 122
international transactions see cross-border; see also EU, OECD
investment banks 146
‘casino banks’ 144
see also Bear Stearns, Drexel Burnham Lambert, First Boston, Lehman Brothers; Merrill Lynch, US, SEC
Ireland 15, 33
Israel 47
Italy 31, 33, 47, 138
Banca d’Italia 138
Japan 19, 20, 31, 33, 34, 47, 74, 76
JPMorgan Chase 16, 34, 35, 77
Kaupthing 157
Kaupthing, Singer and Friedlander Bank 197
Kazakhstan 47

Keynes 141
‘Keynsian monetarism’ 124
Korea 32, 33, 37, 38, 47
South 47

Lamfalussy committees see Europe
Landsbanki HF 22, 88, 157
Larosière, de see Europe, Commission
Latin America 30
law see Argentina, Convertibility Plan;
Basel accords; corporate legal structure; Europe, Market in Financial Instruments Directive, UK, US
Lehman Brothers 16, 17, 18, 21, 22, 23, 25, 30, 74, 78, 83, 86, 87, 92, 148, 155, 188, 198, 203, 204, 206, 230, 237, 239, 242, 255
chapter 11 bankruptcy 203–4
UK government criticised by US 21
LBOs (leveraged buyouts) 232, 235–7
lender of last resort activities (LoLR) 221–2
macro LoLR 125–8
versus bailouts 130
see also central banks
leveraged buyouts see LBOs; see also management buyouts
‘liars loans’ 196
LIBOR-OIS spread 14
licensing
EU institutions (credit agencies and post-trading infrastructure) 168
FSA (UK banks) 195
‘lifeboats’ 142
liquid assets see moral hazard
liquidations see administration, bailouts, bankruptcy; failures, insolvency, Prompt Corrective Action model, special resolution regime, takeovers, winding up
liquidity 89–91, 120, 141
wartime, UK 140
Llewellyn, David
Gilbart lectures 4
The financial crisis and the regulation of finance

Lloyds 145, 197–8
Lloyds-TSB-HBOS 20
LoLR see lender of last resort activities
London Scottish 205
Long Term Capital Management fund 183

macroprudential perspective 31, 39–43, 103, 101–50
definitions 101–01, 102–06
FSA criticised for not focusing on macro aspects 201
implementation 106
relationship with monetary policy 6, 118–31, 134–50
lender of last resort (LoLR) activities by central bank 6

Madoff, Bernie
‘Madoff scandal’ 24, 88, 230, 238
impact on hedge funds 239
Malaysia 47, 139
management buyouts 231
see also LBOs

market
capacity 253
discipline 224–6
‘flex’ 253
prices see pricing
signals
deceptive 164
see also ‘efficient market’; ‘perfect market’; stock markets

markets see AC World index; CRB index; MSCI All-Country World Index; Nasdaq Composite; S&P Composite
Markowitz’ portfolio theory 227
MBSs (mortgage-backed securities) see mortgages

mediation
proposal for new EU supervisor mediation body 168
Memoranda of Understanding (MoUs) 165, 204
mergers and acquisitions see takeovers
Merrill Lynch 17, 21, 74, 185, 186
Mexico 36, 38, 39, 44, 47, 139
currency crisis and debt default 182–3
‘Tequila crisis’ 36

microprudential perspective 102, 103, 155–214
definitions 102–06
mis-selling 14, 25, 200, 245
Bankers’ Trust 24
Bradford & Bingley 197, 200
mortgages 200, 245
monetary
orthodoxy 119, 120, 122
policy
and macro perspective 6, 118–31
history 134–50
versus regulation 118–31
monitoring 13
by shareholders 230–63
Moody’s 224
KMV Expected Default Frequency 164
moral hazard 83–96, 134–50, 157, 194, 204–05
implications for
bank holdings 89–91 83
deposits 83, 86–9
equity 83, 93–5
misuse of cheap liquidity 122
remuneration (executive) 83, 95–6
subordinated debt 83, 91–3
mortgages 148, 178, 195
collateralised debt obligations (CDOs) 12
collateralised mortgage obligations (CMOs) 11, 12
MBSs (mortgage-backed securities) 16
mis-selling 200, 245
buy-to-let 196
self-certification 196, 199
see also consumer protection
securitisation of residential mis-selling 94
The Mortgage Business 199–200
see also Alliance & Leicester; Bradford & Bingley; Derbyshire and Cheshire; Dunfermline BS; London Scottish; Nationwide; Northern Rock; US, sub-prime mortgage sector
MSCI All-Country World Index 32, 33
Index

Nasdaq Composite 38
nationalization 180, 203, 204, 207
Nationwide 18, 199
NatWest 15
Netherlands 22, 33, 47
see also ABN Amro

New Century 13, 14
Zealand 158, 170
   pioneer in supervisor pre-positioning 170
   Reserve Bank of New Zealand 170
Nigeria 47
Northern Rock 14, 15, 18, 23, 71, 73, 84, 86, 88, 141, 143, 149, 194, 195–7, 200, 201, 203, 205, 237
fails ARROW 196
hedge fund challenge government share price 237

OECD
   financial skills and literacy recommendations 225
   industrialised production (1981–2009) 19
   Principles of Corporate Governance 226
   option component 25
   ‘originate and securitize model’ 11, 14, 18
   Overend, Gurney & Co. 71, 136–7

Pafitis case 157
Pakistan 47
Panama 47
passport see Europe
PEFs see private equity funds
pegging
   ‘crawling’ pegs 44
   fixed pegs 39, 40–4
pensions 25, 86, 95, 205, 240, 244, 245
   funds 34, 42, 194, 231, 262
   insurance (PPI) 245
regulators
   EU 168
   UK 240, 241, 243
see also remuneration
   ‘perfect capital markets’ 215

Peru 47
Philippines 37, 38, 47, 139
Poland 42, 43, 47
policy tools 105, 107–11, 126–7, 129
see also Memoranda of
   Understanding; public policy
Ponzi schemes 24, 230, 238, 242
portfolio theory 227
Portugal
   infrastructure project 259
PPI see pension
PPPs (Public Private Partnerships)
   249–63
alternatives 256–60
   contribution model 158–9
   debt funding competitions 257–8
   equity investment 259
   Government co-funding models 258
see also DBFOM
Government support models
   debt guarantees 259
   revenue guarantees 259
   syndication guarantees 259
   public financing 256–7
   senior debt model 259
   staged procurement 257
   subordinated debt model 259
   supported debt model 258
new financial environment 251–6
   banking markets 252–3
capital markets 251–2
conditionality 253
documentation 254
financial implications 255–6
funding arrangements 253
loan terms 254
margins 255
market capacity 253
project financing 250–51
   UK 255
pricing 55, 104, 108, 111, 112
decreptive 108
price
   (in)stability and central banks 119, 121
regulation 176
see also asset prices; US, laws,
   Regulation Q
Prince, Chuck 9, 14, 23
The financial crisis and the regulation of finance

private funding
  equity funds (PEFs) 130–46, 206, 230–46
  British Private Equity and
  Venture Capital Association report (2009) 236
does private equity work? 235–7
  voluntary codes 234
  Walker code 234

see also hedge funds, PPPs

Proctor and Gamble 24

pro-cyclicality 109–12, 114, 207
dampening 109, 110, 111
project financing (bond, equity and
  banking markets) 249–66

Prompt Corrective Action 87, 155–72
  US framework 160–61
public
  funding 256–7
  see also PPPs (Public Private
    Partnerships)
  interest 101
  policy 101, 102
  -private finance see PPP

‘put’ options 23

Qatar Investment Authority 20

quantile regressions 107

‘quantitative easing’ 20, 126

‘random walk theory’ 215

recapitalisation 19–20

regulation
  Dutch experience using mixed
    regulation tools 62–3
key objectives
  consumer protection 69
  integrity of financial markets 70
  safety and soundness of financial
    institutions 69
  sustain systemic stability 69
suggestions for improvement 68–81
  types
    conduct of business 71
    prudential 71

‘Regulation Q’ see US, laws
regulators
  UK
  excessive regulation 201
  FSMA see UK, laws
  House of Lords Select Committee on Regulators (2007) 60

post crisis: is more regulation the
  answer? 193–208
  Regulated Activities Order 63
  see also FSA
US
  Fed 181–6
  SEC 72, 239

see also banks

remuneration, executive 83, 95–6,
  189–90
  bonuses 147–8
  should be paid in restricted shares
    (Malkiel) 206
  FSA code 245
  pensions 205, 245
  private equity 239, 240, 244, 245
  Turner report 245
  Walker report 245
  see also moral hazard
repos 76
  loss spiral 77
  ‘margin’/‘haircut’ spiral 76, 77
  repo credit 76
  tri-party 76
  retail banking 93–4
  ‘utility banks’ 144
Rio Tinto 243

‘risk to our objectives’ see RTO
Romania 47

Royal Bank of Scotland (RBS) 18,
  20, 21, 93, 148, 198–200, 204,
  206
  government ownership 199

RTO (‘risk to our objectives’)
  scoring (FSA-regulated firms)
    194, 195
Russia 31, 32, 33, 36–7, 38, 39, 42, 44,
  45, 46, 47, 140

S&L crisis 86
S&P Composite 38
Saga 234
Sainsbury’s 231, 234
Santander 18, 34, 197, 237

Securities and Exchange Commission
  (SEC) see US

Christopher J. Green, Eric J. Pentecost and Tom Weyman-Jones - 9781849808712
Downloaded from Elgar Online at 01/22/2019 05:05:34AM
via free access
Index

securities industry
net leverage rations 75
securitisation 11–12, 94
see also mortgages, MBSs
(mortgage-backed securities)
sel-certification 196, 199
shadow banks 194, 206–7,
system collapse 230
pricing 55
shareholders 186, 208, 215–63
banks, UK 148–9, 205–06
human rights 157
impact of Fannie Mae and Freddie
Mae collapse 92
institutional 230–46
at fault for increasing leveraging
in credit crunch 240
Institutional Shareholders’
Committee 233
problems protecting pre-emption
rights 243
limited/unlimited liability 84
monitoring role/oversight
230–63
see also information
shocks
common 142
systemic 125, 181–2
short selling 237
Singapore 33, 47
Slovakia 47, 164
social responsibility 235
South Africa 4, 32, 33, 42, 47
PPP 250
South Korea 47
Spain 33, 34, 47, 112
special purpose vehicles (SPVs) 13,
196, 250, 258, 259
special resolution regime 22, 203
Sri Lanka 47
Standard & Poor’s 224, 252
Standard Chartered 145
standards
capital adequacy 68
see also accounting, standards; FSA,
mandate, standards
Standford, Alan 88
stock markets
Family Value Index 232
junior AIM 241
London Stock Exchange 241
stock exchange regulations 218
Structured Early Intervention and
Resolution (SEIR) 158
see also Prompt Corrective Action
sub-prime mortgages 10
see also US
supermarket banks 94
supervisors
banking supervisors and cross-
border banking 155–72
college of supervisors 166–7
swaps
CDS see credit default swaps
currency 74
plain vanilla interest 74
Sweden 33
see central banks, Riksbank 204
Switzerland 33, 34, 107, 207
see also Credit Suisse; UBS
systemic risk 181
systemic shock 181
takeovers
insider trading questions 61
UK Takeover Code of Practice
241
see also ABN/RBS
Taiwan 32, 33, 38, 47
Taylor rule 119
tax
corporate tax 206, 233
private equity funds 239
see also inflation; income
technology sector 38
bust 38–9, 119
‘plan Greenspan’ 119
‘Tequila crisis’ see Mexico
Thailand 38, 47
collapse of baht 139
thrift institutions 175–91
time
deposits 179
dimension see pro-cyclicality
timing of emergency actions 175
tools
Dutch experience using mixed
regulation tools 62–3
UK, FSA regulatory tools there but not deployed 193–208
see policy tools
‘toxic
assets 121, 199, 236
insurance scheme 20
debt’ 142
transparency 85, 112, 113, 119
triggers see capital
‘tripartite agreement’ see UK
Troubled Assets
purchase scheme, UK 205
Relief Programme (TARP) see US
TSB
Lloyds-TSB-HBOS 20
Turkey 42, 47
Turner Review see UK

UBS (Union Bank of Switzerland) 16, 18, 24, 239
UK 33, 34, 47, 233
banking 144
history 134–50
19th century 134–9
early 20th century 139–42
inter-war years and beyond 142–3
US–UK compared, US banks
more fragile 144

British Private Equity and Venture
Capital Association report
(2009) 236
building societies 15–16
‘credit crunch’ 237–9, 240
deposit protection 15
Financial Services Compensation
Scheme 88, 205
government
bailouts 204–05
emergency packages 20, 205
toxic assets insurance scheme 20
laws
Bank Act (1844) 140, 142
Bank Charter Act 137
Banking Act 2009 22, 87, 146, 205
failures 203
FSMA (Financial Services and
Markets Act 2000) 53–5, 63, 194
special resolution regime 22, 87
usury laws 136
PPP projects 250, 255
regulation
existing framework could have
been used to prevent crisis
but wasn’t 193–208
is more regulation post-crisis the
answer? 193–208
regulatory tools in place but not
deployed 193–208
Takeover Code of Practice 241
‘tripartite agreement’ (FSA/
Treasury/Bank of England)
194, 208
Turner Review 52, 145, 158, 168,
193, 200, 226, 245
see also Alliance and Leicester,
central banks, Bank of
England; Barclays; BCCI;
Bradford & Bingley; City of
Glasgow Bank; Derbyshire and
Cheshire, Dunfermline, FSA,
HBOS, Lloyds, London
Scottish, Nationwide, NatWest,
Northern Rock, Overend and
Gurney; Royal Bank of
Scotland, Santander, special
resolution regime, stock
markets

Ukraine 42, 47
Uruguay 47
US 33, 34, 47
1930s crisis 176–7
see also Great Depression
1970s 179
1980s 176, 179
9/11 184
banking failure 203–4
US–UK compared, US banks
more fragile? 144
Hurricane Katrina 184
laws
Dodd-Frank Act (2010) 87
Banking (Glass-Steagall) Act
(1933) 176, 177
repeal 244
exception for New England 178
Depository Institutions
Index

Deregulation and Monetary Control Act (DIDMCA; 1980) 176, 180
Federal Deposit Insurance Corporation Improvement Act (FDICIA) 162, 186–8
Federal Reserve Act 183
‘Regulation Q’ 7, 175–91
avoidance 176, 179
beginnings 176
end (repeal) 176179–81
lessons learned 180–81
Sarbanes-Oxley Act 156, 206, 243
mortgage market 6, 30–47
debt sold on ‘originate and securitize model’ 11
housing boom (2002) 10
sub-prime mortgage sector 10
Prompt Corrective Action 87, 160–61
regulatory reforms 181–91
capping executive remuneration 189–90
extending bank resolution process to non-bank financial institutions 186–9, 191
Fed as regulator of systemic risk 181–6
runs
money market mutual funds 92
S&L crisis 86
Securities and Exchange Commission (SEC) 72, 239
Troubled Assets
Loan Fund 236
Relief Programme (TARP) 19
Y2K 184
see also American Home Mortgage, Bank of America, Bear Stearns, Citigroup, Continental Illinois National Bank, Countrywide Financial, Drexel Burnham Lambert; Enron, Fannie Mae and Freddie Mac, First Boston, Ginnie Maes, Goldman Sachs, IndyMac, JPMorgan Chase, Lehman Brothers, Merrill Lynch, New Century
USSR see Russia
usury laws 136
valuation see accounting
VAT 20
Venezuela 47
Vietnam 47
Walker code 234
Washington consensus 40
winding up see administration, bailouts, bankruptcy; failures, insolvency, liquidations, Prompt Corrective Action model, special resolution regime, takeovers
ZOPA 94