

Index

- 9/11 terrorist attacks, 286
- ABN AMRO, 151, 183
- Acciaiuoli banking family, 10
- administrative sanctions
- due process in appealing under EU law, 381–383
 - EU Capital Requirements Directive IV (CRD IV), 374–379
 - EU sanctions for regulatory breach, 374–383
 - European Convention on Human Rights (ECHR) and the ECtHR, 379–383
 - Financial Services and Markets Act 2000 (UK), 383
 - Halifax Bank of Scotland (HBOS), 383–386
 - property rights of bank shareholders and creditors, 381
 - proportionality principle, 380–381
 - UK sanctions for breach of prudential regulation, 383–386
- Advanced Internal Ratings Based Approach (AIRB), 103
- adverse selection, 36
- agency problems, 34–37
- adverse selection, 36
 - caused by information asymmetry, 35
 - effects of loan interest rate, 36–37
 - hidden action, 35–36
 - hidden information, 35–36
 - market failures caused by, 37
 - moral hazard, 35–36
 - principal–agent framework, 36
 - stakeholder groups affected by, 37
- Agra and Masterman bank collapse, 17
- AIG, 136
- Alliance for Financial Inclusion, 343
- AML/CFT (anti-money laundering/counter-financing of terrorism), 286–290
- ancient Greece, 10
- ancient societies
- money trading in temples, 10
- Aristotle
- on usury, 10
- artificial intelligence (AI), 331, 341
- Asian financial crisis (1990s), 2, 69, 72, 92
- asset-backed securities, 24–25, 44, 104–105, 264
- asset price bubbles, xvii, 44, 398
- Australia
- agreed liquidity policy, 88
 - approach to financial regulation, 56
 - expansion of multinational banks, 28–29
 - mutuals, 87
- Australian Competition and Consumer Commission, 56
- Australian Investment and Securities Commission (AISC), 56
- Australian Prudential Regulatory Authority (APRA), 56
- ‘bad’ banks, 2
- bail-in tool (EU), 196–200
- bail-inable debt, 89
- Baker, Ronald, 137–138
- balance sheet management, 101
- bancassurance*, 27
- Banco Ambrosiano collapse, 66
- bank
- definition, 295–298
 - origin of the term, 10
- bank capital
- components of, 87
 - consequence of poor regulation, 86
 - consideration of riskiness of assets, 89–90
 - difficulty in valuing a bank’s assets, 90
 - EU requirements, 116–118
 - four main purposes, 87
 - function in bank insolvency, 90
 - level of loss-absorbent capital, 90
 - mutuals and credit unions, 87–88
 - structure of the balance sheet, 87
 - use of equity to deposits ratio, 88
 - use of liabilities to deposits ratio, 88
 - See also* regulatory capital.
- bank corporate governance
- Basel Committee and, 155–156
 - corporate law, 131

- bank corporate governance (cont.)
 - corporate law and directors' duties, 131–136
 - enhanced disclosure, 160
 - influence on environmental sustainability risks, 360–362
 - international standards, 128–131
 - market discipline, 160
 - objectives of, 128
 - regulating appointments to the bank management bodies, 143–145
 - risk culture and, 308–311
 - shareholder rights, 145–155
 - sound and prudent management principle, 127–143
 - supervisory review (Basel III, Pillar 2), 156–160
 - supervisory tools, 155–160
- bank failures
 - early 1970s, 64
- Bank for International Settlements (BIS), Basel, 63–64
- bank insiders who leak inside information, 273–274
- bank insolvency and liquidation, 90
- bank money, 13
- bank notes
 - origins of the practice of issuing, 12
- Bank of America, 282, 288
 - mis-selling of residential mortgage-backed securities, 290
- Bank of Amsterdam
 - history of, 13
- Bank of Credit and Commerce International (BCCI), 286
- Bank of England, 1, 54, 93, 115, 137, 183
 - Financial Policy Committee, 54, 312, 400–401
 - right to be a joint stock bank, 28
 - role as lender of last resort, 15
- Bank of England Resolution Directorate, 184
- Bank of Scotland
 - founding of, 14
- Bank of the United States
 - non-renewal of its charter (1832), 17
- bank outsourcing
 - effects of Brexit, 203
- bank resolution
 - bail-in tool (EU), 196–200
 - creditor hierarchy under US OLA, 191–193
 - development of bank resolution regimes, 177–179
 - effects of Brexit, 202–205
 - European Union, 193–202
 - FSB key attributes of effective resolution regimes, 165, 179–180
 - judicial review of US regulatory and resolution measures, 390–392
 - loss-absorbent capital, 190–191
 - minimum required eligible liability (MREL) (EU), 200–202
 - multiple points of entry (SPOE), 188–189
 - Orderly Liquidation Authority (OLA) (US), 186–189
 - post-Brexit membership in resolution financing arrangements, 204–205
 - rationale for bank resolution regimes, 181–182
 - recognising cross-border resolution decisions after Brexit, 203–204
 - single point of entry (SPOE), 188–189
 - UK bank resolution regime, 182–186
 - US bank resolution regime, 186–189
- bank runs, 299, 302
 - Northern Rock, 183
 - related to loss of confidence, 19
 - Stockholms Banco, 13–14
- Bankhaus Herstatt, 21
- banking crises
 - contagion effects, 44
 - costs of, 43–45
 - impacts of systemic financial risk, 40
 - mitigating the costs of, 40–41
 - social and economic impacts, 40–41
 - sources of systemic financial risk, 40
- banking regulation
 - agency problems, 34–37
 - capture theory of regulation, 45–46
 - challenges of regulating shadow banking, 303–306
 - changing philosophy of, 48–50
 - consideration of stakeholder groups, 37
 - definition, 34
 - designing functional banking regulation, 298–299
 - focus of risk culture regulation, 319–326
 - functional approach, 298–300
 - future challenge of environmental sustainability, 357–364
 - influence on environmental sustainability risks, 357–364
 - institutional design, 50–58
 - justification by costs of banking crises, 43–45
 - justification for controlling systemic risk, 42
 - macro-prudential approach, 49–50
 - mitigating the costs of systemic risk, 40–41
 - objectives, 33–34
 - potential to introduce distortion into the market, 45–46
 - private interest theory of regulation, 45–46
 - public interest theory of regulation, 45
 - responding to institutional and market innovations, 299–300
 - restoring trust, 413–415
 - safeguarding financial stability, 46–48
 - systemic financial risk and, 39
 - theories of financial regulation, 45–46
 - weakness of the micro-prudential approach, 48–50

- Banking Standards Board (BSB), 316, 318–319
- Banking Standards Review Council, 326
- banking system, xviii
- bankruptcy
 - origin of the term, 10
- banks
 - core functions, 21
 - economic importance, 42–45
 - effects of financial stability on risk-taking behaviour, 47
 - internalising the costs of their risk-taking, 40–41
 - RTGS payment system, 21
 - societal costs of their risk-taking, 41–42
- Barclays PLC, 29, 185, 212, 215–216, 289
 - EURIBOR manipulation, 282
 - LIBOR manipulation, 282
 - mis-selling of residential mortgage-backed securities, 289
- Bardi banking family, 10
- Barings Bank collapse (1995), 93, 134
 - director's duties and, 136–138
- Basel I
 - Market Risk Amendment, 93
 - narrow scope of risk evaluation, 92–93
 - regulatory capital requirements, 91–92
 - risk-based supervision, 90–93
 - risk-weighting system, 91–92
 - short-term lending incentives, 92
 - See also* Basel Capital Accord.
- Basel II, 66–67, 70, 93–97
 - and the global financial crisis of 2007–2008, 98–99
 - flaws in the pre-crisis bank models, 98–99
 - leverage limits, 97–98
 - market-based governance models, 99
 - operational risk RWA, 97
 - volatility-based models, 99
- Basel III, xviii, 66–68, 77–78, 80–81, 86, 130–131, 363
 - comparison with Basel II, 106–108
 - counter-cyclical capital regulation, 114–116
 - criticisms of, 116, 401
 - EU bank capital and liquidity requirements, 116–118
 - leverage ratio, 113–116
 - liquidity risk management, 109–113
 - minimum capital (Pillar 1), 108–116
 - supervisory review (Pillar 2), 156–160
 - three-pillar framework, 107–108
- Basel IV, xviii, 119–121, 413
 - output floor, 120–122
 - transition and implementation schedule, 85–124
- Basel Capital Accord, 62, 66–67, 91, 155
 - See also* Basel I.
- Basel Committee on Banking Supervision, 64–69, 78, 287, 399
 - addressing environmental sustainability risks, 363
 - bank corporate governance, 155–156
 - Core Principles for Effective Banking Supervision, 129–130, 155–156, 267
 - deliberation and decision-making process, 70–72
 - Liquidity Risk Management Principles, 109–113
 - Principles of Bank Corporate Governance (2010), 155
- Basel Concordats, 62, 66
- behavioural bias
 - influence on investors, 240
- Belgium
 - bank resolution regime, 178
 - Financial Services and Markets Authority (FSMA), 178
- Bernanke, Ben, 2
- Beyeler v. Italy*, 380, 389
- Bitcoin, 337–340
- BKash Limited, 345
- block-chain technology, 337
- Bloomberg Commission, 360
- Board of Governors v. First Lincolnwood Corp.*, 152
- BRAC Bank Limited, 345
- Bradford and Bingley bank collapse, 183
- Brazil, 412
 - environmental risk management, 364
 - green governance, 361–362
 - regulatory capital requirements, 363
- Brazilian Banking Association (Febraban)
 - environmental sustainability risk management, 362
- Bretton Woods system, 407
 - breakdown in the 1970s, 18, 279, 396
- Brexit, 252
 - designing a new trade agreement, 409
 - effects on bank outsourcing plans, 203
 - effects on bank resolution and deposit guarantee schemes, 202–205
 - effects on membership in deposit guarantee schemes, 204–205
 - effects on membership in resolution financing arrangements, 204–205
 - European Economic Area (EEA), 410
 - European Free Trade Association (EFTA), 410–411
 - Norway model of trade with the EU, 410
 - potential regulatory issues, 408–409
 - recognising cross-border resolution decisions, 203–204
 - regulatory parity and cross-border banking, 410–411
 - relationship with the EU internal market, 408–409
 - Swiss model, 410–411
- British Banking Association, 280

- British banking crisis of 1866, 17
 Bundesbank, 21
- CAMELS rating, 159
 Canada, 72
 financial regulatory system, 57
 capital adequacy requirements, 25, 73
 capture theory of regulation, 45–46
 Cardano digital currency, 337
 Carney, Mark, 308, 348–349, 356
caveat emptor (buyer beware) relationship, 244
 central bank digital currencies (CBDC), 339–340
 central banks
 control of the money supply and credit creation, 20
 guarantor role for the inter-bank payment system, 21
 lender of last resort function, 167
 liquidity and lending facilities, 43
 macro-prudential supervisory role, 52–53
 provision of liquidity support for banks, 20
 role in times of crisis, 52
 RTGS payment system, 21
 central counterparties, 78
 Charles I, King, 12
 Charles II, King
 closure of the Exchequer in 1672, 12
 Chartered Banker Professional Standards Board (CB:PSB), 316–317
 China, 25
 regulatory capital requirements, 363
 China Banking Regulatory Commission (CBRC)
 Green Credit Guidelines, 361–362, 364, 412
 Christian bankers
 effects of prohibition of usury, 10
 Churchill, Winston, 1
 Citicorp, 104, 341
 Citigroup Inc., 129, 136, 282
 LIBOR manipulation, 280–282
 mis-selling of residential mortgage-backed securities, 290
 climate change, 350–351, 355–356
 Coase, Ronald, 38–39
 theory of the firm, 23–24
 Code of Hammurabi, 10
 cognitive heuristics
 use by investors, 240
 collateral requirements, 400
 collateralised bond obligations (CBOs), 102
 collateralised debt obligations (CDOs), 24–25, 101–102
 UBS exposure to, 105–106
 collateralised loan obligations (CLOs), 102
 collusion
 potential prejudice to the public interest, 45–46
 colonial banking regulations, 16–17
 Committee on Payment and Market Infrastructure (CPMI), 22
 Committee on Payment and Settlement Systems, 22, 64–65
 See also Committee on Payment and Market Infrastructure (CPMI).
 Committee on the Global Financial System, 64–65
 competitive distortions, 47
 complex collateralised debt obligations, 1
 confidence, loss of
 bank runs and, 19
 consolidated supervision principle, 66
 Constituent Charter of the Bank for International Settlements of 1930, 63
 contagion effects in banking crises, 44
 Contogoulas, Stylianos, 282
 contracts for differences (CFDs), 276
contractual estoppel, 244, 248
 convertible capital instruments (Cocos), 88–89
 core equity Tier 1 (CET1), 88
 corporate bond market, 24
 corporate finance theory, 45
 corporate groups of universal banks, 27–28
 corporate law
 regulating appointments to the bank management bodies, 143–145
 relating to bank corporate governance, 131
 counter-cyclical capital ratio, 107
 counter-cyclical capital regulation, 75, 79, 400
 under Basel III, 114–116
 credit creation
 control by central banks, 20
 credit creation theory of banking, 18–19
 credit crunch (2007), 100
 credit cycles in economies, 50
 credit default swaps, 1, 48, 99, 276
 credit lines, 102
 credit market
 effect of liberalisation of financial markets, 24
 credit risk RWA, 104
 Credit Suisse, 282
 mis-selling of residential mortgage-backed securities, 289
 credit unions, 87
 credit valuation adjustment (CVA) framework, 119
 Crosby, James, 384
 cross-currency settlement risk, 21
 Cummings, Peter, 384–386
 Customer Due Diligence (CDD) rules, 288
 Cyprus, 89
- Daiwa Bank, 136
 Darling, Alistair, 169

- De Larosière Report, 320
- debt liabilities on the balance sheet, 87
- debt-to-income ratios, 79
- Delaware General Corporation Law, 149–150
- Denmark, 400
- deposit guarantee schemes
 - effects of Brexit, 202–205
 - EU Deposit Guarantee Directive 2014, 171–173
 - fixed claimants, 175
 - Icelandic banking crisis (2008–10), 168–169
 - inadequacy before the financial crisis, 164
 - International Association of Deposit Insurers (IADI), 169–170
 - lender of last resort, 174–175
 - membership post-Brexit, 204–205
 - moral hazard, 174–175
 - moral hazard and the US FDIC, 173–174
 - need for risk-based deposit insurance, 173–174
 - prompt corrective action, 175–177
 - rationale of, 165–168
- deposit insurance, 167–168
- deposit insurance schemes, 87
- derivatives, 18, 28, 99
- Deutsche Bank, 282, 321
- developing countries
 - barriers to financial technology, 344–345
 - financial inclusion, 343–345
- digital automation, 331
- digital currencies, 337–340
- direct finance
 - comparison with intermediation by banks, 22–24
- directors' duties
 - bank director misconduct and regulatory enforcement, 383–386
 - Barings Bank collapse, 134, 136–138
 - corporate law, 131–136
 - fiduciary duties, 132
 - regulatory law restructuring after the financial crisis, 127–141
 - sound and prudent management principle, 127–143
 - to shareholders, 131–132
 - to stakeholders, 132–133
 - UBS collapse, 135
 - violation of duty of care and skill, 133–134
- disclosure
 - bank disclosure of risks to investors, 359–360
- discount houses, 15
 - Overend Gurney failure (1866), 17
- disintermediation of banks
 - banks' motivations for, 25
 - drivers of, 25–26
 - effects of liberalisation of financial markets, 24
 - fixed-income investors, 25–26
 - increasing return on equity, 25
 - influence of Fintech (financial technology), 26–27
 - involvement in high-margin non-lending businesses, 25
 - peer-to-peer lending platforms, 26–27
 - risk with open banking, 336–337
 - securitisation and, 25–26
- Dodd-Frank Act 2010 (US), 3, 33–57, 186–193, 223, 256, 390–392, 406
- Dunfermline Building Society collapse, 183
- duty of care
 - limitations under English law, 244–245
- East Asian banking crisis (1998–1999), 44
- Eastern European banking crises (1990s), 44
- economic capital management, 101–102
- economic importance of banks, 42–45
- endogenous risks, 98
- environmental sustainability risks, xviii
 - bank disclosure of risks to investors, 359–360
 - banking sector risks, 81–82
 - biophysical thresholds for the Earth, 350–351
 - categories of risk for the financial sector, 355–356
 - climate change, 350–351, 355–356
 - consideration in regulatory capital determination, 362–363
- EC High Level Expert Group on Sustainable Finance, 347–368
 - economic effects of the dust bowls in 1930s US, 349
 - effects of financial policy and regulation, 353–355
 - extreme weather events, 349–351
 - financial structures, 363–364
 - future challenges for banking regulation, 411–413
 - green banking practices, 356–357
 - historic links between the environment and banking stability, 349–351
 - influence of bank governance, 360–362
 - international initiatives, 365–368
 - liability risks, 356
 - link with financial and economic risks, 348
 - losses caused by hurricanes, 349–350
 - physical risks, 355–356
 - risk management, 362
 - role of banking regulation, 357–364
 - role of banks in mitigating or reducing risks, 90–93
 - role of the banking sector, 351–353
 - role of the Basel Core Principles, 363
 - Sustainability Banking Network (SBN), 365–366
 - Tragedy of the Horizons (TOH), 348–349
 - transition risks, 356
 - types of sustainability challenges, 348
 - way forward for banking policy, 369–370

- equity 'dark pools', 249
- equity reserves, 87
- equity to deposits ratio, 88
- Ethereum digital currency, 337
- EURIBOR rate-rigging, 282
- euro area, 53
- Eurocurrency Standing Committee, 64
- European Banking Authority (EBA), 53, 141, 202, 256
 - Guidelines on internal governance, 141–142
 - Guidelines on management body suitability, 143–144
 - Remuneration Guidelines, 322
- European Central Bank (ECB), 53, 398
 - Target 2 RTGS, 22
 - Target 2 RTGS example, 22
- European Commission
 - draft legislation on representative actions, 258
 - High Level Expert Group on Sustainable Finance, 347–368
 - transparency directive, 277
- European Commission proposal on structural reform, 222–228
 - general ban on certain trading activities, 223–224
 - ring-fencing and, 231–234
 - separation requirements, 226–228
 - subsidiarisation and ring-fencing requirements in national legislation, 224–226
 - trading activities triggering separation, 224–228
- European Convention on Human Rights (ECHR), 153, 379–383
 - proportionality and regulatory decisions, 380
 - right to property, 381
- European Court of Human Rights (ECtHR), 153, 379–383
- European Deposit Insurance Scheme (EDIS) proposal, 172
- European Economic Area (EEA), 409–410
- European Free Trade Association (EFTA), 409–411
- European Insurance and Occupational and Pension Authority, 53, 256
- European Market Infrastructure Regulation (EMIR), 275
- European Payments Union, 63
- European Securities and Markets Authority (ESMA), 53, 203, 256, 276
 - Guidelines on Remuneration Policies and Practices, 251
- European Supervisory Authorities (ESAs), 53
- European System of Financial Supervision (ESFS), 53–54, 256
- European Systemic Risk Board (ESRB), 53–54, 256, 358, 400
- European Union (EU), 74, 89
 - administrative sanctions for regulatory breach, 374–383
 - bank capital and liquidity requirements, 116–118
 - Bank Recovery and Resolution Directive, 172
 - Capital Requirements Directive (CRD), 127–141
 - Capital Requirements Directive III, 320
 - Capital Requirements Directive IV (CRD IV), 374–379
 - Deposit Guarantee Directive 2014, 171–173
 - Disclosure Directive, 360–361
 - effects of Brexit on bank resolution and deposit guarantee schemes, 202–205
 - implementation of the Basel Capital Accord, 71
 - Insurance Distribution Directive (IDD), 253
 - macro-prudential regulatory system, 53–54
 - Market Abuse Regulation (MAR), 253, 269–279
 - Markets in Financial Instruments Directive I (MiFID I), 241–243
 - Markets in Financial Instruments Directive II (MiFID II), 248–255, 340
 - Payment Services Directive 2 (PSD2), 332–334
 - proportionality principle, 380–381
- European Union (EU) bank resolution
 - bail-in tool, 196–200
 - Bank Recovery and Resolution Directive (BRRD), 193–202
 - bridge institution tool, 196
 - creditor hierarchy under the BRRD, 194–196
 - minimum required eligible liability (MREL), 200–202
 - resolution tools, 196–202
 - sale of business tool, 196
- externalities, 37–38
 - environmental effects of economic activities, 350–351
 - global financial crisis of 2007–2008, 129
- extreme weather events, 349–351
- Fair Equitable Markets Review 2015, 326
- fiat money, 13–14
 - possible replacement with digital currency, 337
- fiduciary duties of directors, 132
- finality
 - definition, 21
- Financial Action Task Force, 286
- financial conglomerates, 27–28
- financial crime and AML/CFT, 286–290
- financial crisis of 2007–2008, xvii, 29–30
 - banks' failure to manage risk, 208
 - consequences of high leverage of banks, 86
 - contribution of bank risk culture, 308
 - contribution of international banking regulation, 73
 - contributory factors, 1–3
 - effects in Australia, 56
 - effects in Canada, 57
 - excessive credit based on asset securitisation, 44
 - G20 response, 74–75
 - inadequacy of deposit guarantee schemes, 164
 - lack of awareness of threats to the financial system, 1–3

463 Index

- mitigating the costs of, 40–41
- regulatory responses, 3, 396–399, 403–407
- role of Basel II, 98–99
- role of the central bank in the UK, 52
- social and economic impacts, 40–41
- systemic risks from non-bank financial institutions, 42
- threat to global financial stability, 42
- financial inclusion
 - role of Fintech, 343–345
- financial institutions
 - internalising the costs of their risk-taking, 40–41
 - societal costs of their risk-taking, 41–42
- financial intermediation theory of banking, 18–19
- financial products
 - development of trusted consumer products, xviii, 322–323
 - See also* mis-selling of financial products.
- financial stability
 - banking policy and, 46–48
 - defining, 46–47
 - influence on bank risk-taking, 47
- Financial Stability Board (FSB), 39, 74, 78, 81, 320, 356, 398–399, 402
 - categories of climate-related risks, 355–356
 - collaboration with the IMF, 76–77
 - industry-led Task Force, 359–360
 - key attributes of effective bank resolution regimes, 165, 179–180
 - response to the financial crisis of 2007–2008, 75–77
 - total loss-absorbent capital (TLAC), 190
- Financial Stability Forum, 100
- Financial Stability Institute, 70
- financial structures
 - influence on environmental sustainability risks, 363–364
- Fintech (financial technology)
 - and the future of banking, 330–332
 - artificial intelligence (AI), 331, 341
 - barriers for developing countries, 344–345
 - Bitcoin, 337–340
 - block-chain technology, 337
 - central bank digital currencies (CBDC), 339–340
 - cloud-based services for banks, 331
 - digital automation, 331
 - digital currencies, 337–340
 - disruption of the traditional banking model, 330
 - e-finance, 331
 - e-lending platforms, 331–332
 - EU Payment Services Directive 2 (PSD2), 332–334
 - international dimension, 343–345
 - open banking, 332–337
 - peer-to-peer lending, 331–332
 - post-PSD2/open banking, 334–335
 - RegTech (regulation technology), 340–342
 - role in bank disintermediation, 26–27
 - role in financial inclusion, 343–345
 - UK open banking, 335–336
- fixed claimants
 - deposit insurance, 175
- Fixed Income, Currency and Commodities Markets
 - Standards Board (FMSB), 316–318
- fixed-income investors, 25–26
- Florentine banks, 10
- Foundation Internal Ratings Based Approach (F-IRB), 103
- fractional reserve banking, 20
 - origins of, 12
- fractional reserve theory of banking, 18–19
- framing effects
 - influence on investors, 240
- France
 - bank resolution regime, 178–179
- Franklin National Bank, New York
 - insolvency, 64
- functional model of supervision, 51
- Funding Circle, 26, 331
- funding risk for banks, 19
- future challenges
 - banking regulation and environmental sustainability, 411–413
 - Brexit and beyond, 408–411
 - developing a coherent macro-prudential-micro-prudential framework, 396–408
 - restoring trust in banking regulation, 413–415
- G7
 - heads of state meeting 1998, 71
- G8
 - transition to G20, 74
- G10
 - central banks, 63–65
 - implementation of the Basel Capital Accord, 71–72
- G20, 363
 - environmental and social risk reporting, 360
 - environmental sustainability, 354–355
 - High Level Principles for Digital Financial Inclusion (2016), 344
 - London and Pittsburgh Summit Statements, 74
 - regulatory reform related to misconduct, 265
 - regulatory reforms, 398
 - response to the financial crisis of 2007–2008, 74–75
 - rise of the G20 committees, 63–69
 - role in international banking regulatory reform, 61–62
 - Washington Action Plan, 74
- Gamby, Anthony, 137–138
- Gates, Bill, 329

- General Arrangements to Borrow, 63
- Germany
- BaFin*, 57, 243
 - bank resolution regime, 178
 - reparation payments imposed by the Treaty of Versailles, 63
- global credit crisis of 2007–2008, 67
- global financial system
- effects of liberalisation of markets, 62
- global systemically important banks (G-SIBs), 120
- Goldman Sachs, 338
- goldsmiths
- historical provision of banking services, 12
 - origin of the practice of issuing notes, 12
- gone concern loss-absorbing capacity (GLAC), 231
- Goodhart, Charles, 408
- Goodwin, Fred, 150
- government bond yields
- factors affecting, 25
- Greece, 89
- green banking practices, 356–357, 370
- See also* environmental sustainability risks.
- Greenspan, Alan, 100
- Group of 10 (G10), 39
- Gustav II Adolph, King of Sweden, 13
- Gustav X, King of Sweden, 13–14
- ‘haircuts’ on repurchase agreements, 400
- Halifax Bank of Scotland (HBOS), 29, 183, 185, 212
- administrative sanctions, 383–386
- Hayes, Tom, 280–282
- hedge funds, 105
- herding, 240
- Herstatt Bank collapse, 64
- Herstatt risk, 21
- hidden action
- agency problem, 35–36
- hidden information
- agency problem, 35–36
- high-net-worth individuals (HNWIs), 214
- Hornby, Andy, 384
- housing price bubble, 158
- HSBC, 212, 215, 282, 289
- human rights
- bank shareholders, 387–390
 - judicial review of US regulatory and resolution measures, 390–392
 - regulatory enforcement and, 386–392
 - shareholders, 148–151
- ICAP Europe Ltd, 282
- Icelandic banking crisis (2008–2010), 168–169
- India, 25, 354
- Individual Capital Guidance (ICG), 159
- Indonesia
- Sustainable Finance Roadmap, 362
- inflation, 25
- informal lending sector, 24
- information asymmetries, 47
- agency problem caused by, 35
 - between borrowers and lenders, 23
 - enhanced disclosure by banks, 160
- ING, 93, 137
- inside information, 271–273
- insider dealing, 270
- insiders who leak inside information, 273–274
- Institute for International Finance, Washington DC, 73
- institutional design of financial regulation, 50–58
- Australia, 56
 - Canada, 57
 - central banks’ regulatory remit, 52–53
 - European Union, 53–54
 - exercise of macro-prudential regulation, 57–58
 - micro- and macro-prudential supervision, 52–53
 - role of central banks, 52
 - supervisory models, 50–52
 - United Kingdom, 54–55
 - United States, 33–56
- institutional model of supervision, 51
- insurance providers, 25
- integrated model of supervision, 51
- inter-bank payment system
- CPMI recommendations, 22
 - credit and settlement risks, 21–22
 - example, 22
 - Herstatt risk, 21
 - multilateral netting system, 22
- interest rate swaps, 246
- interest rates
- agency problems related to, 36–37
 - influence of central banks, 20
- intermediation by banks, 18–19
- advantages over direct finance, 22–24
 - Coase theory of the firm, 23–24
 - effect on information asymmetries, 23
 - investment banks, 20–21
 - liquidity risks, 19–20
 - matching the needs and objectives of borrowers and lenders, 22–23
 - minimising transaction costs, 23
- internal capital adequacy assessment procedure (ICAAP), 157–158
- internal liquidity adequacy assessment programme (ILAAP), 157

465 Index

- International Accounting Standards Board (IASB), 68
- International Association of Deposit Insurers (IADI), 68, 169–171
- International Association of Insurance Supervisors (IAIS), 68–69
- International Auditing and Assurance Standards Board (IAASB), 68
- international banking regulation
 - Bank for International Settlements (BIS), Basel, 63–64
 - consequences of reforms, 77–79
 - contribution to the financial crisis of 2007–2008, 73
 - decision-making accountability, 61–72
 - effects of liberalisation of financial markets, 62
 - environmental and social risks and banking stability, 81–82
 - Financial Stability Board (FSB), 75–78
 - G20 response to the financial crisis of 2007–2008, 74–75
 - implementation and monitoring, 70–72
 - influence of special interest groups, 73
 - international soft law, 62
 - international standard-setting bodies, 63–69
 - lack of accountability, 73–74
 - legitimacy of, 73–74
 - legitimacy of international financial bodies, 61–72
 - reforming and restructuring supervision, 79–81
 - regulatory capture, 73–77
 - rise of the G20 committees, 63–69
 - role of the G20 in regulatory reform, 61–62
 - shift towards macro-prudential regulation, 74–75, 78–79
- International Federation of Accountants (IFAC), 68
- international financial soft law, 62
- International Monetary Fund (IMF), 39, 55, 68, 71, 75
 - collaboration with the Financial Stability Board (FSB), 76–77
 - environmental sustainability, 354
 - estimated global value of money laundering, 288
 - exchange rate collapse (early 1970s), 64
 - Financial Sector Assessment Programmes, 72, 399
 - foreign exchange rate regime (1960s), 64
 - question of legitimacy and accountability, 77
- International Organization of Securities Commissions (IOSCO), 65, 68–69, 78, 81
 - standards for bank conduct, 265–267
- International Panel on Climate Change (IPCC), 350
- international standards restricting bank misconduct, 265–267
- investment banks
 - contribution to liquidity in the system, 20–21
 - intermediary functions, 20–21
 - intermediation, 19
 - investors
 - limited liability through royal charters, 16
 - invisible hand (Smith), 37–38
- Islamic sharia law
 - prohibition of usury (riba), 11
- Italian banks
 - arrangements for sovereign debtors in the Middle Ages, 11
 - developments in the Middle Ages, 11
- Italy, 89
 - bank resolution regime, 178
- Jackson, Andrew, 17
- Japan, 71–72
 - Daiwa Bank, 136
- Japanese Financial Services Agency, 57
- Jerusalem
 - historical use of temples for money trading, 10
- Jevons, William, 349
- Joint Forum on Financial Conglomerates, 69
- joint stock banks, 28, 87
 - risk-taking and the limited liability structure, 17
- JP Morgan, 274, 282, 288
- JP Morgan Chase & Co.
 - mis-selling of residential mortgage-backed securities, 290
- Keynes, John Maynard, 104
- Kim, Jim Yong, 357
- King, Mervyn, 77, 163, 214–215, 320
- Know Your Customer standards, 286–288
- Landsbanki collapse, 168–169
- Latin American debt crisis (early 1980s), 66
- Leeson, Nick, 137–138
- legal theory of finance, 46
- Lehman Brothers, 41
 - collapse of, 2, 90, 129, 183, 405
 - pre-crisis mis-selling of financial products, 243
- lender of last resort, 174–175
 - Bank of England as, 15
- leverage of banks
 - consequences of high leverage, 86
 - limits under Basel II, 97–98
- leverage ratio, 400
 - changes under Basel IV, 120
 - under Basel III, 113–116
- liabilities to deposits ratio, 88
- liability risks, 356
- liberalisation of financial markets, 18
 - bank disintermediation, 24
 - effects of, 62

- LIBOR (London Inter-Bank Offered Rate)
 - manipulation, 263–286
 - rate-rigging prosecutions, 280–282
 - what it is and how it worked, 263–280
 - Wheatley Review for reform of LIBOR, 282–286
- Liikanen, Erkki, 230
- Liikanen Report (European Commission), 222–228
- limited liability
 - limiting shareholder rights to reduce moral hazard, 151–153
- limited liability companies, 87
- limited liability structure, 100
 - effect on investment in British overseas banks, 17
 - effect on risk-taking in joint stock banks, 17
- liquidity
 - contribution of investment banks, 20–21
 - EU requirements, 116–119
 - function of banks, 20
- liquidity coverage ratio (LCR), 111–112
- liquidity default risk
 - shadow banking and, 298–299
- liquidity risks, 67, 73
 - fragility of bank balance sheets, 19–20
 - related to the liquidity function of banks, 20
 - risk management under Basel III, 109–113
 - types of risks for banks, 19
 - vulnerability of the payment system, 19–20
- liquidity support for banks
 - potential for moral hazard, 20
 - role of central banks, 20
- liquidity tools, 400
- living wills (resolution plans), xvii
- Lloyds Bank PLC, 136, 215
- Lloyds Banking Group, 29, 183, 185, 213, 282, 289
- Lloyds TSB, 29, 212
- loan-to-income ratios, 400
- loan-to-value ratios, 79
- loan-to-value requirement, 400
- lobbying
 - potential prejudice to the public interest, 45–46
- London Inter-Bank Offered Rate. *See* LIBOR
- loss-absorbent capital, 190–191
- macroeconomic indicators, 115
- macro-prudential regulation, xviii, 3
 - components of, 398
 - European Union, 53–54
 - exercise of, 57–58
 - features of, 49–50
 - G20 response to the financial crisis, 74–75
 - shift in international regulatory focus, 78–79
 - United Kingdom, 55
 - United States, 56
- macro-prudential supervision, xviii
 - role of central banks, 52–53
- macro-prudential–micro-prudential framework, 396–408
 - bank resolution regimes, 402
 - components of macro-prudential regulation, 398
 - criticisms of Basel III, 401
 - effects of differences in regulatory philosophy, 403–407
 - ex post* crisis management measures, 402
 - failure of risk management at individual institution level, 396–399
 - future developments, 407–408
 - institutional and supervisory gaps that remain, 399–403
 - monetary policy controls, 398–399
 - OTC derivatives, 401–402
 - recognition of the need for macro-prudential regulation and supervision, 396–399
 - reforms adopted after the financial crisis, 396–399
- marginal private net product, 38
- marginal social net product, 38
- Marini v. Albania*, 154
- mark to market valuation, 25
- market abuse laws, 267–279
 - bank insiders who leak inside information, 273–274
 - categories of market abuse behaviour, 270
 - EU Market Abuse Regulation (MAR), 269–279
 - inside information, 271–273
 - market manipulation and the OTC markets, 276–277
 - PDMRs Disclosure, 277–279
 - public disclosure of information and delays, 277–279
 - relating to the OTC (over-the-counter) derivatives market, 274–279
- market-based models of bank governance, 99
- market discipline (enhanced disclosure), 160
- market failures, 47
 - information asymmetries, 23
 - related to agency problems in banks, 37
 - transaction costs, 23
- markets
 - capture theory of regulation, 45–46
 - liquidity risks related to, 19
 - perfect competition, 45
 - potential distortion by banking regulation, 45–46
 - private interest theory of regulation, 45–46
 - public interest theory of regulation, 45
 - real-world situation, 45
- Markets Committee, 64
- maturity transformation, 19, 109
 - benefits and risks, 19
 - systemic financial risk, 40

- Maya Declaration on Financial Inclusion (2011), 343
- merchants
- historical provision of banking services, 12
- mergers and acquisitions, 56
- Merton, Robert, 173
- Mesopotamia, 10
- Mexican banking crisis (1994–1995), 44
- Mexico, 354–355
- micro-indicators, 115
- micro-prudential regulation, 3, 52
- focus at individual institution level, 48–50
 - weaknesses of, 48–50
- Middle Ages
- developments in banking, 10–11
- minimum required eligible liability (MREL) (EU), 191, 200–202
- misconduct
- bank director misconduct and regulatory enforcement, 383–386
 - Basel Committee Core Principles for Banking Supervision, 267
 - financial crime and AML/CFT, 286–290
 - finances imposed on banks, 264
 - G20 regulatory reform agenda, 265
 - international standards restricting bank misconduct, 265–267
 - IOSCO standards for bank conduct, 265–267
 - LIBOR manipulation, 263–286
 - market abuse laws, 267–279
 - money laundering, 286–290
 - risk culture and, 311
 - source of operational risks for banks, 264
 - terrorism financing, 286–290
- mis-selling of financial products, xviii
- adjusting regulation to protect bank customers, 257–259
 - commission-based adviser business model, 243
 - duty of care limitations under English law, 244–245
 - EC draft legislation on representative actions, 258
 - financial supermarket model, 243
 - influences on investor decision-making, 239–240
 - information disclosure paradigm, 239–241
 - Lehman Brothers, 243
 - MiFID II shortcomings, 253–255
 - MiFID II/MiFIR, 248–252
 - payment protection insurance (PPI) mis-selling, 246–247
 - post-crisis change in regulatory focus, 248–255
 - pre-crisis regulatory framework, 241–244
 - pre-crisis selling of financial products, 239–241
 - regulatory agency design for retail financial protection, 255–256
 - regulatory institutional design at national level, 256
 - shortcomings and potential challenges of new regulations, 259
 - supervisory models of financial regulation, 255
 - UK mis-selling and case law, 244–248
- monetary policy controls, 398–399
- money laundering, 286–290
- money multiplier, 19
- money supply
- control by central banks, 20
- moral hazard, 47, 50
- agency problem, 35–36
 - deposit guarantee schemes, 174–175
 - influence of remuneration structures, 319–322
 - limiting shareholder rights to reduce moral hazard, 151–153
 - potential risk associated with liquidity support, 20
 - problem for bank shareholders, 100
- Morgan Stanley, 288
- mortgage-backed securities, 264
- misrepresentation in marketing and sale of, 289–290
- multilateral netting system, 22
- multilateral trading facilities (MTFs), 249
- multinational banks, 15–16
- banks not created by royal charter, 16
 - colonial banking regulations, 16
 - expansion strategies, 28–29
 - limited liability for investors, 16
- multiplier effect, 34
- mutuals, 87
- Nakamoto, Satoshi, 337
- Naples, Kingdom of
- arrangements to repay bank loans (1325), 11
- National Bank of Poland, 387
- Nationale-Nederlanden, 387
- negative externalities, 37–38, 45, 47
- compensating third parties, 38–39
 - global financial crisis of 2007–2008, 129
 - impacts of systemic financial risk, 40–41
 - justification for banking regulation, 42
 - marginal social net product, 38
 - social costs of bank risk-taking, 18
 - sources of systemic financial risk, 40
 - systemic risk in the financial system, 39
- net stable funding ratio (NSFR), 111–112
- Netherlands
- history of the Bank of Amsterdam, 13
- New York Stock Exchange, 149
- NMB-Postbank, 387
- no creditor worse off principle (NCWO), 199

- non-bank financial institutions
 - involvement in the financial crisis of 2007–2008, 42
- non-bank liquidity providers, 24
- Nordic banking crisis (1990s), 44
- Northern Rock collapse, 2, 164, 183
- Norway
 - bank resolution regime, 179
 - Norway model of trade with the EU, 410
- Obama administration
 - RMBS mis-selling settlements, 290
- off-balance sheet exposures for banks, 67
- off-exchange markets, 249
- open banking, 332–337
 - covered institutions, 336–337
 - disintermediation risk for banks, 336–337
 - EU Payment Services Directive 2 (PSD2), 332–334
 - post-PSD2, 334–335
 - United Kingdom, 335–336
- organisational structure of banking, 27–30
- organised trading facilities (OTFs), 249
- Organisation for Economic Co-operation and Development (OECD), 69, 91
 - Financial Action Task Force (FATF), 68
 - Financial Stability Forum (FSF), 69
 - initiatives to improve bank corporate governance, 129
- Oriental Bank Corporation of India, 16
- origins of banking
 - ancient temples used for money trading, 10
 - bank money, 13
 - banking services provided by goldsmiths, 12
 - banking services provided by merchants, 12
 - banking services provided by scribes, 12
 - colonial banking regulations, 16
 - development of large banking institutions, 13–15
 - development of the practice of issuing notes, 12
 - developments in the Middle Ages, 10–11
 - discount houses, 15
 - effects of liberalisation of global financial markets, 18
 - fractional reserve banking, 12
 - increase in numbers of small domestic banks, 15
 - innovations related to the prohibition of usury, 11
 - institutions created by royal charter, 13–15
 - investor limited liability through royal charters, 16
 - multinational banks, 15–16
 - multinational banks not created by royal charter, 16
 - origin of the term ‘bank’, 10
 - origin of the term ‘bankruptcy’, 10
 - practice of collecting perpetual rents, 11
 - prohibition of usury in the Middle Ages, 10–11
 - sovereign debt repayment in the Middle Ages, 11
 - twentieth-century developments, 18
 - United States, 17–18
- Ospel, Marcel, 105, 139
- OTC (over-the-counter) derivatives, 78, 90, 401–402
 - market abuse laws, 274–279
- output floor
 - Basel IV, 120–122
- overconfidence
 - influence on investors, 240
- Overend Gurney failure (1866), 17
- Oxenstierna, Axel, 13
- Packaged Retail and Insurance-based Investment Products (PRIIPs), 255
- paid-in capital, 87
- Palmstruch, Johan, 13
- Paris Agreement on Climate Change, 353–354
- payment protection insurance (PPI) mis-selling, 246–247
- payment system
 - inter-bank payment system, 21–22
 - real-time gross settlement (RTGS), 21
 - vulnerability to bank liquidity risks, 19–20
- PDMRs (persons discharging managerial responsibilities)
 - Disclosure, 277–279
- peer-to-peer lending, 331–332
- peer-to-peer lending platforms, 26–27
- pension providers, 25
- perpetual rents, 11
- Peru, 412
- Peruzzi bank
 - arrangements with sovereign debtors in the Middle Ages, 11
- Peruzzi banking family, 10
- Pigou, Arthur C, 38–39
- Pittsburgh Heads of State Summit, September 2009, 62
- Poole, William, 2
- portfolio management theory, 99
- Portugal, 89
- post-contractual opportunism, 35
- preference shares, 87
- preferred stock, 87
- principal–agent framework, 36
- Principles for the Supervision of Banks’ Foreign Establishments, 66
- private interest theory of regulation, 45–46
- Procter, Andrew, 321
- procyclicality
 - related to risk-weighting of assets, 67
- professional bodies
 - role in regulation of bank risk culture, 316–319
- property rights of bank shareholders and creditors, 381

- proportionality principle (EU), 380–381
- public interest
 - potential threat from lobbying groups, 45–46
- public interest theory of regulation, 45
- Rabobank, 282
- RBS. *See* Royal Bank of Scotland PLC
- real time
 - definition, 21
- real-time gross settlement (RTGS), 21
 - approaches to regulation, 22
 - Target 2 RTGS example, 22
- reasonable person test, 133–134
- RegTech (regulation technology), 340–342
 - rationale for, 340–341
 - regulatory initiatives, 341–342
- regulation technology. *See* RegTech
- regulatory action
 - shareholder rights, 151–155
- regulatory capital
 - bail-inable debt, 89
 - Basel III compared with Basel II, 106–108
 - consideration of environmental sustainability risks, 362–363
 - convertible capital instruments (Cocos), 89
 - core equity Tier 1 (CET1), 88
 - counter-cyclical capital regulation under Basel III, 114–116
 - loss-absorbent capital, 88, 90
 - tax assets as Tier 1 capital, 89
 - Tier 1 capital, 88–89
 - Tier 2 capital, 88
 - total loss-absorbent capital (TLAC), 89
 - See also* bank capital.
- regulatory capital management, 102–106
- regulatory capture in international banking regulation, 73–77
- regulatory control
 - developing a coherent macro-prudential–micro-prudential framework, 396–408
- regulatory enforcement
 - bank director misconduct, 383–386
 - bank shareholders' rights, 387–390
 - human rights and, 386–392
 - judicial review of US regulatory and resolution measures, 390–392
- regulatory law
 - director's duties, 127–141
- Reich, Ryan Michael, 282
- remuneration structures
 - potential to create morally hazardous behaviour, 319–322
- Reserve Bank of Australia, 56
- reserve ratio, 20
- reserves (of banks), 87
- residential mortgage-backed securities
 - misrepresentation in marketing and sale of, 289–290
- retained earnings, 87
- return on equity
 - banks' ability to increase, 25
- Riksbank (Sweden), 339–340, 400
- ring-fenced banking (UK), 212–222
 - accepting deposits, 216
 - and the European Commission proposal, 231–234
 - core activities/core services, 216–217
 - economic links, 220–221
 - excluded activities, 217–218
 - exemptions, 216–217
 - governance and disclosure, 221–222
 - height of the ring-fence, 220–222
 - legal and operational links, 220
 - location of the ring-fence, 215–217
 - prohibitions, 218–219
- ring-fencing
 - separation of banking activities, 29–30
- risk
 - bank disclosure of risks to investors, 359–360
 - bank runs related to loss of confidence, 19
 - banks' failure to manage risk, 208
 - limiting shareholder rights to reduce moral hazard, 151–153
 - potential moral hazard associated with liquidity support, 20
- risk-adjusted return on equity, 99–100
- risk assessment, 35
- risk-based capital ratio, 102
- risk-based supervision
 - Basel I, 90–93
- risk culture
 - bank governance and, 308–311
 - contribution to the financial crisis, 308
 - defining 'good behaviour', 308–309
 - definition, 309
 - development of trusted financial products, 322–323
 - effects of remuneration structures, 319–322
 - ethical drift in the banking sector, 308
 - focus of regulation, 319–326
 - influence of legislative and regulatory reforms, 310
 - misconduct risk, 311
 - regulatory role of professional bodies, 316–319
 - self-regulation, 316–319
 - Senior Managers and Certification Scheme (SM&CR), 314–316
 - UK regulatory initiatives, 312–316

470 Index

- risk management, 34, 99–106
 - balance sheet management, 101
 - banks' use of structured finance instruments (SFIs), 101
 - calculating total risk-weighted assets, 103–104
 - collateralised debt obligations (CDOs), 102
 - economic capital management, 101–102
 - environmental sustainability risks, 362
 - failures prior to the 2007–2008 crisis, 99–101
 - flaws in the pre-crisis bank models, 98–99
 - flaws in value-at-risk (VAR) models, 104–106
 - liquidity risk management under Basel III, 109–113
 - moral hazard problem for bank shareholders, 100
 - regulatory capital management, 102–106
 - risk-based supervision of Basel I, 90–93
 - strategic objective, 99–100
 - UBS risk management failure, 104
 - weakness of micro-prudential regulation, 48–50
- risk measurement models, 73
- risk-taking
 - effect of limited liability on bank risk-taking, 17
- risk tolerance of investors, 240
- risk-weighted models, 401
- risk-weighting of assets
 - calculating total risk-weighted assets (RWA), 103–104
 - procyclicality related to, 67
- risky financial instruments, 3
- Royal Bank of Scotland PLC, 29, 129, 136, 212–213, 215
 - fine for LIBOR manipulation, 282
 - mis-selling of residential mortgage-backed securities, 290
 - Shareholder Action Group, 150–151
 - UK Treasury bailout, 183
- royal charters
 - creation of large banking institutions, 13–15
 - limited liability for investors, 16
- Rubin, Robert, 136
- Russia, 360
 - central bank recommendations on environmental risks, 362
 - Code of Corporate Governance, 361
- Santander Bank PLC, 215
- Sants, Hector, 308
- Saville v. Central Capital Ltd*, 246
- savings and loan crisis (1980s), 173
- Scandinavia
 - banking crisis (early 1990s), 2
- scriveners
 - historical provision of banking services, 12
- securities brokers
 - intermediation, 19
- securitisation, 18, 25–26, 28, 48, 99, 101
- Senior Managers and Certification Scheme (SM&CR) (UK), 314–316
- settlement
 - definition, 21
- shadow banking, xvii–xviii, 3, 78
 - benefits and costs, 302–303
 - challenge of, 300–306
 - definition, 293–294, 300–301
 - definition of a bank, 295–298
 - designing functional banking regulation, 298–299
 - functional approach to banking regulation, 298–300
 - growth of the shadow banking sector, 293–294
 - liquidity default risk, 298–299
 - nature of, 301–302
 - non-bank financial institutions, 295–298
 - regulatory challenges, 303–306
 - responding to institutional and market innovations, 299–300
 - shadow banking problem, 296
 - size of the shadow banking sector, 294–295
 - systemic risk related to, 301–302
- shareholder rights, 145–155
 - human rights, 148–151
 - in relation to regulatory enforcement, 387–390
 - legal principles to constrain regulatory powers, 153–155
 - limiting shareholder rights to reduce moral hazard, 151–153
 - Pafitis* case, 147–148
 - position under bank resolution, 178–179
 - regulatory action, 151–155
- shareholders, 87
 - directors' duties to, 131–132
- Siennese banks, 10
- slotting approach to risk-weighting, 103
- Smith, Adam
 - invisible hand, 37–38
 - Wealth of Nations*, 13, 37–38
- social costs of production, 38
 - compensating third parties, 38–39
- social influence on investor behaviour, 240
- Société Générale SA, 29
- society
 - costs imposed by systemic financial risk, 41–42
 - costs of bank risk-taking, 18
- SONIA (sterling overnight index average), 285–286
- sound and prudent management principle, 127–143
- South Sea Bubble (1720s), 15
- sovereign debtors
 - loan repayment arrangements in the Middle Ages, 11
- special interest groups
 - influence on international banking regulation, 73

- special purpose vehicles (SPVs), 101–102
- spot commodity contracts, 276
- stakeholder groups
 - consideration in banking regulation, 37
 - directors' duties to, 132–133
 - effects of agency problems, 37
- Standard Chartered Bank, 289
- standardised approach (SA) to risk-weighting, 103
- Stellar digital currency, 337
- Stevenson, Lord, 384
- stress tests, 129, 156–160
- structural reforms
 - European Commission proposal, 222–228
 - pros and cons, 229–230
 - ring-fencing and the European Commission proposal, 231–234
- structural regulation
 - banks' failure to manage risk, 208
 - ring-fenced banking (UK), 212–222
 - universal banking model, 209–212
- structured credit markets, 25
- structured finance instruments (SFIs), 101
- structured finance markets, 25
- structured investment vehicles (SIVs), 24–25
- subprime markets
 - UBS exposure to, 105–106
- subprime mortgage loan crisis (US), 47
- subprime mortgage market, 2
- supervision
 - definition, 34
 - reforming and restructuring, 79–81
 - risk-based supervision of Basel I, 90–93, 267
 - See also* Basel Committee on Banking Supervision.
- supervisory colleges, 79
- supervisory models
 - factors affecting choice of supervisory structure, 52
 - functional model, 51
 - institutional model, 51
 - integrated approach, 51
 - regulation of marketing and sale of financial products, 255
 - Twin Peaks model, 51–52, 54
- supervisory review enhancement process (SREP), 68, 156, 158–159
- supervisory tools
 - Basel Committee and bank governance, 155–156
 - for bank governance, 155–160
 - supervisory review (Basel III, Pillar 2), 156–160
- suspicious transaction reporting, 286
- Sustainability Banking Network (SBN), 82, 365–366, 412
- swaps, 28
- Sweden
 - Financial Stability Council, 400
 - history of the Riksbank (formerly Stockholms Banco), 13–14
- Swiss Code of Obligations, 135, 139
- Swiss Re Economic Research and Consulting, 355
- Switzerland, 71, 400
 - bank resolution regime, 179
 - Swiss model of trade with the EU, 410–411
- systematic internalisers, 249
- systemic financial risk, 3
 - costs imposed on society, 41–42
 - definition, 39, 41–42
 - justification for banking regulation, 42
 - macro-prudential regulation, 49–50
 - mitigating the costs of, 40–41
 - related to shadow banking, 301–302
 - related to the inter-bank payment system, 21–22
 - social and economic impacts, 40–41
 - sources of, 40
 - weakness of micro-prudential regulation, 48–50
- systemically important financial institutions (SIFIs), 67, 78, 107, 156, 309, 391
 - capital requirements under Basel III, 109
- systemically significant financial instruments, 78
- Target 2 RTGS, 22
 - example, 22
- tax assets
 - as Tier 1 capital, 89
- taxpayer bailouts, 29–30, 88, 106, 129, 212
- technology. *See* Fintech (financial technology); RegTech (regulation technology)
- temples
 - historical use for money trading, 10
- terrorism financing, 286–290
- The Hague Agreements of 1930, 63
- theories of financial regulation, 45–46
- Thomson Reuters, 280
- Tier 1 capital, 67, 88–89
 - quality and transparency, 75
- Tier 2 capital, 88
- too-big-to-fail financial institutions, 56, 175, 229
- total loss-absorbent capital (TLAC), 89, 180, 190–191
- tragedy of the commons, 42
- Tragedy of the Horizons (TOH), 348–349
- transaction costs for borrowers and lenders, 23
- transition risks, 356
- Transparency International (TI) Organization, 288
- Treaty of Versailles
 - reparation payments imposed on Germany, 63

- Trump administration
 - RMBS mis-selling settlements, 290
- trust
 - challenge for banking regulation, 413–415
- Tuckey, Andrew, 137–138
- Turner Review (2009), 49, 397–398
- Twin Peaks model of supervision, 51–52
- UBS, 29, 129
 - collapse of, 135
 - fine for LIBOR manipulation, 282
 - LIBOR manipulation, 280–282
 - risk management failure, 104
- UK Financial Investments Ltd, 29
- United Kingdom
 - Anti-terrorism, Crime and Security Act 2001, 169
 - bank director misconduct and regulatory enforcement, 383–386
 - bank resolution regime, 182–186
 - Banking Act 2009, 184, 297
 - Banking Reform Act 2013, 30, 213–214, 216, 220, 312–314
 - central bank role in the financial crisis (2007–2008), 52
 - Companies Act 2006, 133–134, 150
 - Company Directors Disqualification Act 1986, 134, 386
 - Competition and Markets Authority (CMA), 335–336
 - Consumer Credit Act 2006, 246
 - effects of Brexit on bank resolution and deposit guarantee schemes, 202–205
 - Financial Conduct Authority (FCA), 220, 246, 256, 287, 313, 335–336, 401
 - Financial Ombudsman Service (FOS), 245–248
 - Financial Policy Committee (FPC), 55, 57
 - Financial Services Act 2010, 312
 - Financial Services Act 2012, 54–55, 184, 312
 - Financial Services and Markets Act 2000 (FSMA), 150, 184, 268, 297, 314, 383
 - Financial Services Authority (FSA), 54, 246, 383–386, 397–398
 - Independent Commission on Banking (ICB), 213
 - Individual Accountability Regime (IAR), 315
 - limitations on bank duty of care (English law), 244–245
 - macro-prudential regulatory model, 400–401
 - mis-selling and case law, 244–248
 - mutuals, 87
 - open banking, 335–336
 - Parliamentary Commission on Banking Standards (PCBS), 313, 316, 324
 - payment protection insurance (PPI) mis-selling, 246–247
 - Prudential Regulation Authority (PRA), 158–159, 184, 203, 220, 312, 401
 - redesign of financial regulation, 54–55
 - Remuneration Code, 312
 - Retail Banking Market Investigation Order (CMA 2017), 335
 - ring-fenced banking, 212–222
 - risk culture regulatory initiatives, 312–316
 - sanctions for breach of prudential regulation, 383–386
 - scale of the financial services sector, 43
 - Senior Managers and Certification Scheme (SM&CR), 314–316
 - Turner Review (2009), 397–398
 - UK Treasury, 54
 - Vickers Commission, 213
- United Nations
 - Sustainable Development Goals (SDG), 353
- United Nations Office on Drugs and Crime (UNODC), 288
- United States
 - bank resolution regime, 186–189
 - Comprehensive Capital Analysis and Review (CCAR), 159–160
 - Consumer Financial Protection Bureau (CFPB), 256
 - credit unions, 87
 - creditor hierarchy under OLA, 191–193
 - Dodd-Frank Act 2010, 3, 33–56, 186–193, 223, 256, 390–392, 406
 - equity to deposits ratio for bank capital, 88
 - Federal Deposit Insurance Corporation (FDIC), 159, 173–174, 391–392
 - Federal Deposit Insurance Corporation and Institutions Act 1991 (FDICIA), 173–174
 - Financial Stability Oversight Council (FSOC), 56–57, 400
 - history of banking, 17–18
 - judicial review of regulatory and resolution measures, 390–392
 - limited implementation of the Basel Capital Accord, 72
 - Office of the Comptroller of the Currency (OCC), 159, 362
 - Office of Thrift Supervision (OTS), 390
 - Orderly Liquidation Authority (OLA), 186–189
 - Securities and Exchange Commission (SEC), 250
 - Term Auction Loan Facility (TLAF), 2
 - Troubled Asset Liquidity Facility (TALF), 405
 - Volcker Rule, 222–223, 406
- United States Federal Reserve, 2–3, 159
 - Clearing House Inter-bank Payment System (CHIPS), 21
 - RTGS ‘daylight’ overdraft system, 22
- universal banking model, 27–30, 209–212
 - benefits of multi-functional banking groups, 210–211
 - societal risks of multi-functional banking groups, 211–212

usury	Wolfsberg Group, 287
effects of prohibition in the Middle Ages, 10–11	World Bank, 68, 71, 354, 357
	Financial Sector Adjustment Programmes, 72
value-at-risk (VAR) models	International Finance Corporation (IFC), 82, 365
flaws in, 104–106	Sustainability Banking Network (SBN), 365–366
VaR (volatility-based model), 99	World Economic Forum, 357
Vickers, John, 230	Global Risks Report 2016, 353
Vickers Commission (UK), 213	World Trade Organization/General Agreement on Trade in
volatility-based models, 99	Services (WTO/GATS) rules, 409
Volcker Rule (US), 222–223, 406	
	XRP digital currency, 337
Wall Street Reform and Consumer Protection Act of 2010.	Yen LIBOR manipulation, 281
See Dodd-Frank Act 2010.	Young Plan, 63
Wells Fargo	
mis-selling of residential mortgage-backed securities, 289	Zopa, 26, 331
Wheatley Review for reform of LIBOR, 282–286	