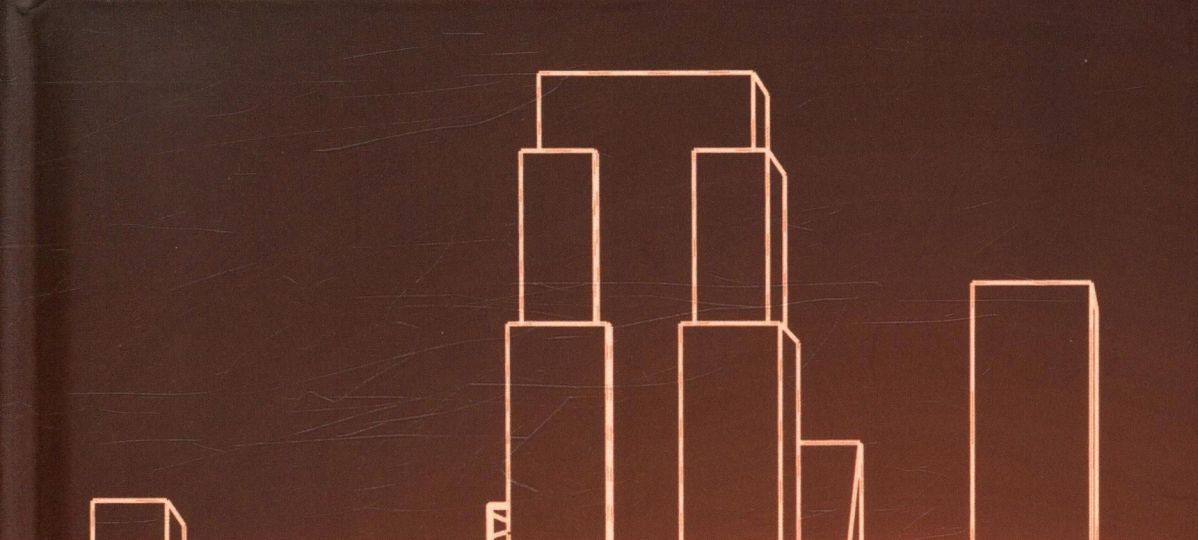




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FINANCIAL REGULATION IN THE EUROPEAN UNION AFTER THE CRISIS

A MINSKIAN APPROACH

Domenica Tropeano



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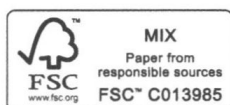
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Financial Regulation in the European Union After the Crisis

In the wake of the financial crisis, new regulatory measures were introduced which, along with changes in monetary and macroeconomic policy, have transformed the global financial structure. However, this new financial structure displays various fragilities. A new shadow banking system has grown both inside and outside the traditional banks and the divergence between core and periphery countries' banks has increased further due to both the new regulations and the European Central Bank's very peculiar interventions.

Following Minsky's approach, this volume explores the interplay between monetary policy, regulation and institutions in the aftermath of the great financial crisis. Minsky's insights are used to interpret the recent regulatory changes and consider how they have affected the evolution of banks and financial markets. The unfortunate conclusion is that the changes in financial regulation introduced in various jurisdictions and inspired by the work of the Basel Committee have not succeeded in thwarting the instability of the economic system. Instead, the mix of policies implemented so far has brought about increased fragility in the financial system. Minsky's work on financial stability offers alternative solutions that policy-makers need to consider to resolve these issues.

Financial Regulation in the European Union After the Crisis is an important volume for those who study political economy, banking and monetary economics.

Domenica Tropeano is Associate Professor at the Department of Economics and Law. University of Macerata, Italy.

Routledge Critical Studies in Finance and Stability

Edited by Jan Toporowski

School of Oriental and African Studies, University of London, UK.

The 2007–8 Banking Crash has induced a major and wide-ranging discussion on the subject of financial (in)stability and a need to reevaluate theory and policy. The response of policy-makers to the crisis has been to refocus fiscal and monetary policy on financial stabilisation and reconstruction. However, this has been done with only vague ideas of bank recapitalisation and ‘Keynesian’ reflation aroused by the exigencies of the crisis, rather than the application of any systematic theory or theories of financial instability.

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13 Labour, Finance and Inequality

The Insecurity Cycle in British Public Policy

Suzanne J. Konzelmann, Simon Deakin, Marc Fovargue-Davies and Frank Wilkinson

Abbreviations

ABS	Asset Backed Securities
AFME	Association for Financial Markets in Europe
ASF	Available Stable Assets
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BRRD	Bank Recovery and Resolution Directive
CBR	Correspondent Banking Relationship
CCP	Central Counterparty Risk
CCR	Counterparty Risk Exposure
CDO	Collateralized Debt Obligation
CDS	Credit Default Swap
CEM	Current Exposure Method
CLOs	Collateralized Loans Obligation
CoCos	Contingent Convertibles
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
ECB	European Central Bank
EDIS	European Deposit Insurance Scheme
ELA	Emergency Liquidity Assistance
EMIR	European Market Infrastructure Regulation
ESMA	European Securities and Markets Authority
ETF	Exchange-Traded Funds
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FSB	Financial Stability Board
FSLIC	Federal Savings and Loan Insurance Corporation
GAAPS	General Accepted Accounting Principles
GDP	Gross Domestic Product
GFC	Global Financial Crisis
G-SIB	Global Systemically Important Banks
HQLA	High Quality Liquid Assets
IAS	International Accounting Standard

IASB	International Accounting Standards Board
ICMA	International Capital Markets Association
IFRS	International Financial Reporting Standards
IIF	Institute for International Finance
IRB	Internal Ratings Based
IRI	Institute for Industrial Reconstruction
IRS	Interest Rate Swaps
ISDA	International Swaps and Derivatives Association
LCR	Liquidity Coverage Ratio
LR	Leverage Ratio
LTRO	Long-Term Refinancing Operation
MBS	Mortgage Backed Security
MREL	Minimum Required Eligible Liabilities
NSFR	Net Stable Funding Ratio
OTC	Over The Counter
PFE	Potential Future Exposure
PPIP	Public–Private Initiative Programme
PSE	Public Sector Entity
RC	Replacement Cost
RMBS	Residential Mortgage-Backed Securities
RSF	Required Stable Funding
SA–CCR	Standardized Approach–Central Counterparty Risk
SEC	Security and Exchange Commission
SFTs	Securities Financing Transactions
SM	Standardized Method
SMEs	Small and Medium Enterprises
SRF	Single Resolution Fund
SPV	Special Purpose Vehicle
SRM	Single Resolution Mechanism
VAR	Value At Risk

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Part 1

Changes in financial regulation in the European Union

A critical analysis

