

CRISIS REGULATION DEMAND

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Abstract:

This paper argues and identifies in its previous part the main hallmarks of the crisis as too-big-to-fail institutions that took on too much risk, insolvency resulting from contagion and counterparty risk, the lack of regulatory and supervisory integration, and the lack of efficient resolution regimes. Then this article looks at how the Basel III proposals address these issues, helping to reduce the chance of another crisis like the current one. The Basel III capital proposals have some very useful elements, notably a leverage ratio, a capital buffer and the proposal to deal with pro-cyclicality through dynamic provisioning based on expected losses. However, this article also identifies some major concerns.

Keywords: *crisis, capital buffer, leverage ratio, pro-cyclicality, liquidity coverage ratio.*

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