END OF CHAPTER EXERCISES

Chapter 21 : Regulatory Framework in the UK and USA

Financial Engineering : Derivatives And Risk Management

(Keith Cuthbertson, Dirk Nitzsche)

1. In the Basle arrangements, what is the “principal of subordination”? Why was it instituted?

2. How have depositors tried to evade the maximum levels of coverage on deposit insurance, fixed by regulators?

3. What problems might arise when the private sector provides competitively priced deposit insurance, for banks?

4. Briefly mention methods used to improve the capital position of near failing banks.

5. In modern economies, what are the key arguments for having a single regulator covering (almost) all financial products/institutions?

6. What is the Glass-Steagall Act and why has it been revoked?

7. What were the two key elements of the reform of the banking system in the US after the crisis which occurred in the 1980s. Have they been sucessful?