



Costs of not following regulation in the case of new regulations

Regulatory Uncertainty and Opportunity Seeking: The Case of Clean Development
Thecasesolutions.com

BUSINESSES:



Efficiency

Businesses need a stable environment to operate in, and a sound financial system is a necessary prerequisite.



Risk Management

FINANCIAL STABILITY		
Pillar 1 Minimum Capital Requirements Capital Requirements for ... Credit Risk - Standardized Approach - Foundation IRB Approach - Advanced IRB Approach Market Risk - Standardized Approach - Internal Risk Models Operational Risk - Basic Indicator Approach - Standardized Approach - Advanced Measurement Approach	Pillar 2 Supervisory Review Process Framework for Banks (SARM) - Capital allocation, including risk management Supervisory Framework - Evaluation of internal systems of banks - Assessment of risk profile - Review of compliance with all requirements - Supervisory measures	Pillar 3 Market Discipline Disclosure Requirements for Banks - Transparency for market participants concerning the level of risk capital (level of application, risk management, internal credit ratings, etc.) - Enhanced responsibility among banks



- more common equity - 4.5% (up from 2%)
- additional capital buffers
- sufficient high-quality liquid assets to cover its total net cash flow over 30 days
- higher quality, more transparent and consistent capital
- increased lending spread by about 50%



- Good allocation of capital, manage risks
- Herd behaviour of investors, excess optimism, which aids capital misallocation



**Regulatory Uncertainty and Opportunity
Seeking: The Case of Clean Development**
Thecasesolutions.com



Thecasesolutions.com



Thecasesolutions.com





Thecasesolutions.com

Regulation = Confidence

Thecasesolutions.com

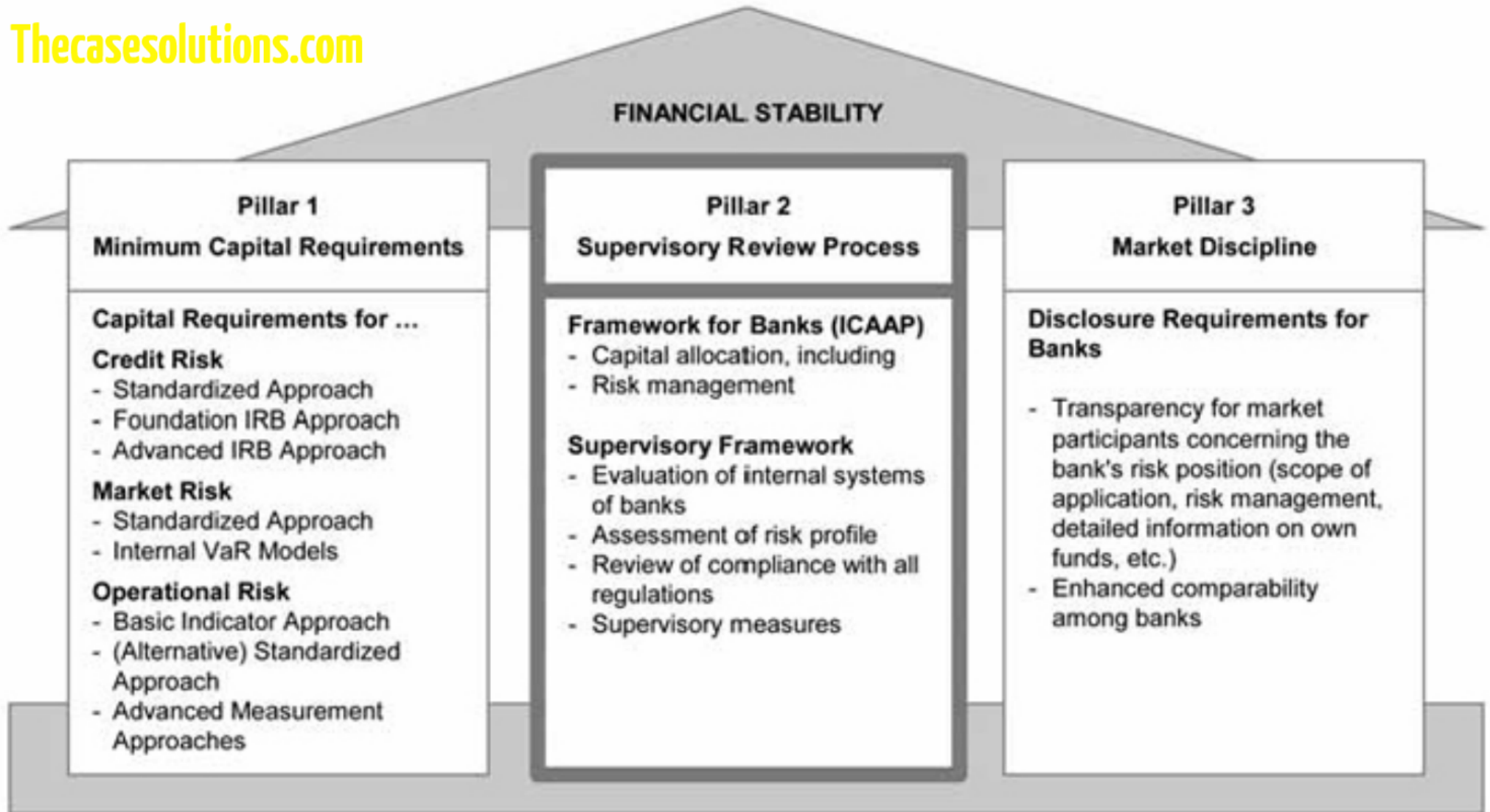


Credit Risk



Operational Risk

Market Risk



	Market Discipline
cess	
(AAP) ing	Disclosure Requirements for Banks <ul style="list-style-type: none">- Transparency for market participants concerning the bank's risk position (scope of application, risk management, detailed information on own funds, etc.)- Enhanced comparability among banks
stems	
le with all	

- more common equity - 4.5% (up from 2%)

Thecasesolutions.com

-additional capital buffers

-sufficient high-quality liquid assets to cover its total net cash flow over 30 days

-higher quality, more transparent and consistent capital

-increased lending spread by about 50%