



The Financial Regulatory Environment
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BUSINESSES: INNOVATION - structural change, healthy

Efficiency

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



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Regulation = Confidence



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FINANCIAL STABILITY		
Pillar 1 Minimum Capital Requirements Capital Requirements for ... Credit Risk - Standardized Approach - Foundation Risk 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 bank's risk profile, level of application, risk management, internal control systems, etc. - Enhanced responsibility among banks

Risk Management



- 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%

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



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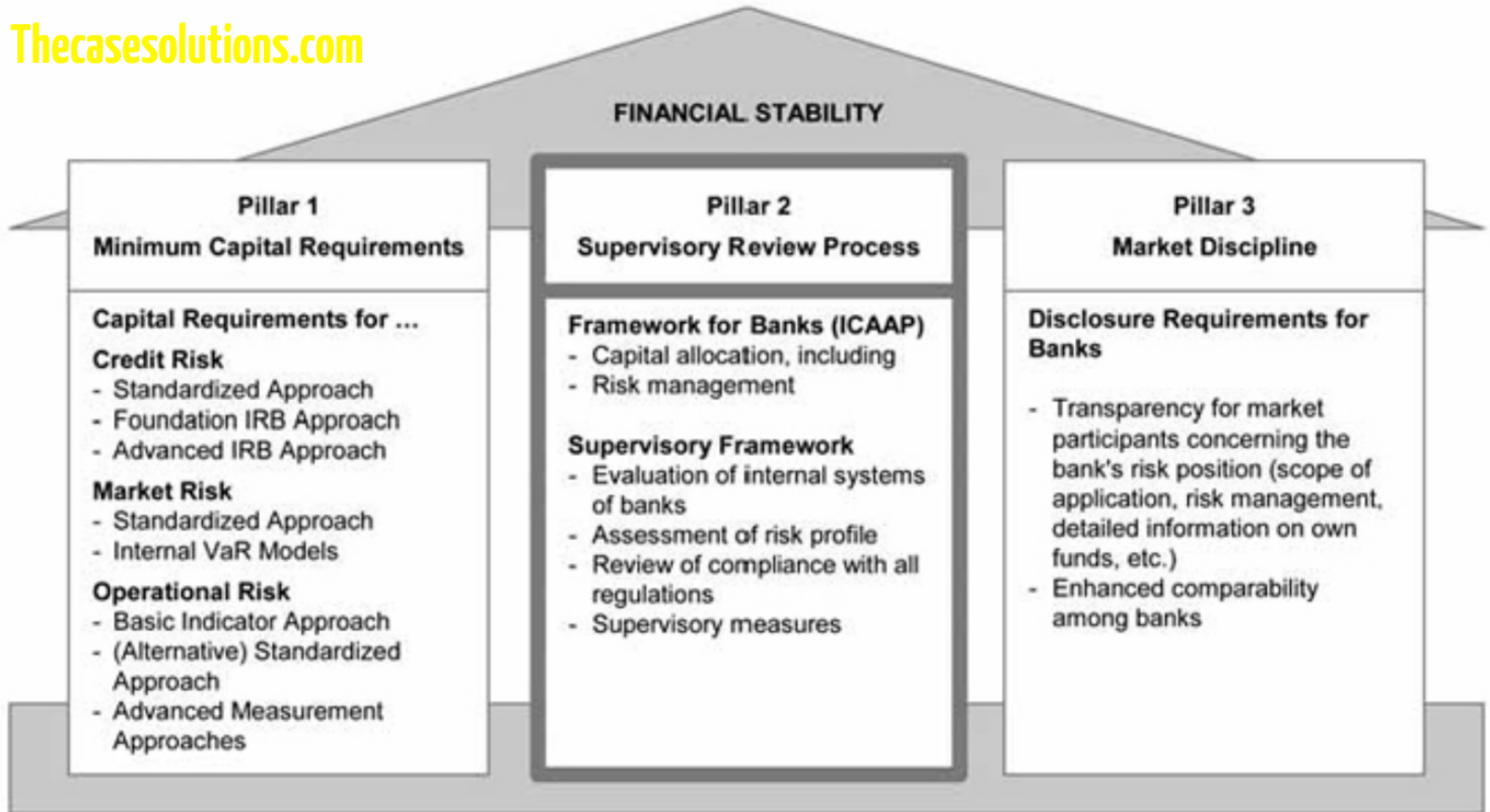


Credit Risk



Operational Risk

Market Risk



	Market Discipline
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(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
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