



Understanding the Credit Crisis of 2007 to 2008



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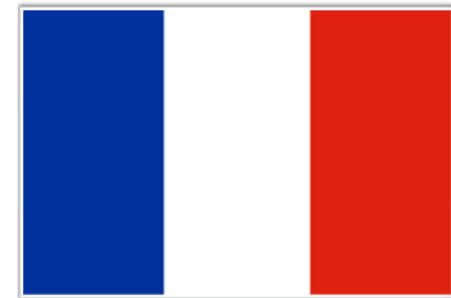
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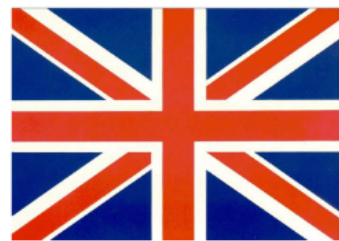


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Understanding the Credit Crisis of 2007 to 2008



Financial Crisis of 2007-2008

also known for some of us as "Global Financial Crisis".
The global financial crisis started to show its effects in the middle of 2008.

The financial crisis began in the U.S and immediately effect the rest of the world.

Stock market have fallen, large financial institution such as "Leman Brothers" have collapsed or being bought out, people lost huge amounts of their savings and most of the governments have had to come up with rescue package to bail out their financial system.

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1933 - 1999



1999-2007



Regulations Before The Crisis

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Gramm-Leach- Bliley Act of 1999

The Glass-Steagall Act gets repealed with support from Fed Chairman Greenspan, Treasury Secretary Rubin and Lawrence Summers.

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Reasons

- Firms found loopholes to go around the regulation making it obsolete
- The fear of foreign deregulation leading to business leaving the states



Commodity future modernization act (CFMA 2000)

- (1) the last bill the american congress passed before the winter break
- (2) The CFMA included the deregulation of OTC (Over the counter) derivatives
- (3) A great impact on the market had the deregulation of the Swaps.
- (4) Credit default swaps or CDS work like an insurance.

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voluntarily regulation of 2004

- (1) In 2004 The SEC wanted to get further control about the big investment-banks
- (2) Standards of Basel II led to the banks buying mortgage assets
- (3) dangerous change of the net capital rule.

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Financial Global Crisis

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The crisis rapidly developed and spread into a global economic shock, resulting in a number of European bank failures, declines in various stock indexes, and large reductions in the market value of equities and commodities.