The Future of Financial Regulation

Who Should Pay for the Failure of American and European Banks?

JOHAN A. LYBECK



Contents

Lis	t of figures	х	
Lis	t of tables	xii	
Lis	List of boxes		
Pre	Preface Acknowledgements		
Aci			
Lis	t of abbreviations	xx	
Introduction		XXV	
	Part I A chronological presentation of crisis events January 2007 – December 2014	1	
	Part II Bail-out and/or bail-in of banks in Europe: a country-by-country event study on those European countries which did not receive outside support	143	
1	United Kingdom: Northern Rock, Royal Bank of Scotland (RBS), Lloyds Banking Group	149	
2	Germany: IKB, Hypo Real Estate, Commerzbank, Landesbanken	175	
3	Belgium, France, Luxembourg: Dexia	191	
4	Benelux: Fortis, ING, SNS Reaal	199	
5	Italy: Monte dei Paschi di Siena	209	
6	Denmark: Roskilde Bank, Fionia Bank and the others vs. Amagerbanken and Fjordbank Mors	216	

viii Contents

	Part III Bail-out and/or bail-in of banks in Europe: a country-by-country event study on those European countries which received	
	IMF/EU support	225
7	Iceland: Landsbanki, Glitnir and Kaupthing	227
8	Ireland: Anglo Irish Bank, Bank of Ireland, Allied Irish Banks	237
9	Greece: Emporiki, Eurobank, Agricultural Bank	259
10	Portugal: Caixa Geral, Banco Espirito Santo, Millennium Bank	267
11	Spain: Bankia and the other ex-cajas	270
12	Cyprus: Bank of Cyprus, Popular Bank (Laiki)	278
	Part IV The TARP program and the bailing out (and bailing in) of US banks	285
13	The roles of the FDIC, the Treasury and the Fed in the crisis	287
14	USA: Bear Stearns, Merrill Lynch and Lehman Brothers	303
15	USA: Countrywide, IndyMac, Washington Mutual and Wachovia	334
16	USA: AIG, Citibank and Bank of America: zombies too big to fail?	358
	Part V Summary of the micro studies	389
	Part VI Political and regulatory responses to the crisis: to bail out or to bail in, that's the question	395
17	Future bail-outs in the United States under Dodd-Frank and OLA	397

ix

18	Future bail-outs in the European Union under the Single Resolution Mechanism and the Bank Recovery and Resolution Directive	437
	Conclusion: toward host-country supervision and resolution?	479
Addendum		487
Bibliography		489
Index		538