

Perverse Effects of a Ratings-related Capital Adequacy System; Patrick Honohan; 2000; World Bank Publications, 2000

Annex 3: Capital Treatment for Failed Trades and Non-DvP Transactions. Each supervisor will develop a set of review procedures for ensuring that banks' systems and controls are adequate to serve as the basis for the capital calculations. Supervisors will need to exercise sound judgements when determining a bank's state of readiness, particularly during the implementation process. Moreover, they are free to put in place supplementary measures of capital adequacy for the banking organisations they charter. It refined the treatments of counterparty credit risk, double default effects, short-term maturity adjustment and failed transactions, and improved the trading book regime.3. The transition in the capital adequacy assessment system from deposits to risk-weighted assets is associated with a change in views on the adequacy of the bank's own funds. As a result, the prevailing view was that the bank's need for capital depends not on the size of deposits and the ability of capital to cover their amount, but on the quality of the assets owned by the bank. the capital adequacy required to secure the continuity of a commercial bank operation are relevant today, and their solution has positive impact on the financial performance of commercial banks and ensures the establishment and development of a stable and reliable banking system. by Patrick Honohan, Perverse Effects Of A Ratings Related Capital Adequacy System Book available in PDF, EPUB, Mobi Format. Download Perverse Effects Of A Ratings Related Capital Adequacy System books, It is important to harness market information to improve bank safety (for example, by increasing the role of large, well-informed, but uninsured claimants) but the approach of a ratings-related capital adequacy system could be counterproductive. Relying on ratings could induce borrowers to increase their exposure to systemic risk even if they reduce exposure to specific risk. The Governance Of C