
Banks

银行

Types of Banks

- **Commercial Banks** are those that take deposits and make loans. Commercial banks include:
 - **Retail Banks** (零售银行), which primarily serve individuals and small businesses.
 - **Wholesale Banks** (批发银行), which primarily serve corporate and institutional customers.

- **Investment Banks** are those that assist in raising capital for their customers (e.g., by managing the issuance of debt and equity securities) and advising them on corporate finance matters such as mergers and restructurings.

Major Risks Faced by a Bank

- The main risks faced by a bank include **credit risk**, **market risk**, and **operational risk**.
 - **Credit risk** refers to the risk that borrowers may default on loans or that counterparties to contracts such as derivatives may default on their obligations.
 - **Market risk** refers to the risk of losses from a bank's trading activities, such as declines in the value of securities the bank owns.
 - **Operational risk** refers to the possibility of losses arising from external events or failures of a bank's internal controls.

- Regulators in most jurisdictions require banks to hold *adequate capital* against these risks. Typically, *they consider credit risk and operational risk with a time horizon of one year and market risk with a shorter time horizon.*

Economic Capital and Regulatory Capital

- To mitigate the risk of bank failures caused by losses on loans or trading assets, banks must be funded by adequate sources of capital. Equity capital as a percentage of assets is a key measure of capital adequacy. Banks may also issue long-term debt to bolster (支持) their capital.
- Banks and their regulators may have different views about how much capital is sufficient in light of the risks a bank faces. **Regulatory capital** refers to the amount determined by bank regulators. In terms of bank regulation, equity is referred to as “Tier 1 capital” and subordinated long-term debt is referred to as “Tier 2 capital.”
- **Economic capital** refers to the amount of capital that a bank believes is adequate based on its own risk models. Even if economic capital is less than regulatory capital, as is often the case, a bank must maintain its capital at the regulatory minimum or greater.

Deposit Insurance and Moral Hazard

- To increase public confidence in the banking system and prevent runs on banks, most countries have established systems of **deposit insurance**. Typically, a depositor's funds are guaranteed up to some maximum amount if a bank fails.
- Like other forms of insurance, deposit insurance brings an element of **moral hazard**. Moral hazard is the observed phenomenon that insured parties take greater risks than they would normally take if they were not insured. In the banking context, with deposit insurance in place, the moral hazard arises when depositors pay less attention to banks' financial health than they otherwise would. This allows banks to offer higher interest rates on deposits and make higher-risk loans with the funds they attract. Losses on such loans contributed to increased bank failures in the United States in the 1980s and 2000s.
- One way of mitigating moral hazard is by making **insurance premiums** risk-based. For example, in recent years, poorly-capitalized banks have been required to pay higher deposit insurance premiums than well-capitalized banks.

最全面的 存款保险制度 解读



一、什么是存款保险

简单说，就是一种为危机银行“买单”的制度，即成立存款保险机构，由各家存款性金融机构交纳保费，一旦投保机构(银行)面临破产，由保险机构为存款人支付一定限额存款的制度。

Investment Banking Financing Arrangements

- When an investment bank arranges a securities issuance for a customer, it may try to place the entire issue with *a particular buyer* or *group of buyers* or sell the issue in the *public market*.
 - In a **private placement** (私人配售), securities are sold directly to qualified investors with substantial wealth and investment knowledge.
 - If the securities are sold to the investing public at large, the issuance is referred to as a **public offering**(公开发售).
 - ✓ **firm commitment** (包销), the investment bank agrees to purchase the entire issue at a price that is negotiated between the issuer and bank. *The investment bank earns income by selling the issue to the public at a spread above the price it paid the issuer.*
 - ✓ An investment bank can also agree to distribute an issue on a **best efforts** (代销) basis rather than agreeing to purchase the whole issue. *As with a private placement, the investment bank earns fee income for its services.*
- First-time issues of stock by firms whose shares are not currently publicly traded are called **initial public offerings** (IPOs).

Investment Banking Financing Arrangements

➤ Dutch auction(荷兰式拍卖) process

- An investment bank can assist in determining an IPO price by analyzing the value of the issuer. An IPO price may also be discovered through a **Dutch auction** process.
- A Dutch auction begins with a price greater than what any bidder will pay, and this price is reduced until a bidder agrees to pay it. Each bidder may specify how many units they will purchase when accepting a price. The price continues to be reduced until bidders have accepted all the shares. The price at which the last of the shares can be sold becomes the price paid by all successful bidders.

荷兰式拍卖定价的基本原则是出价最高者得标、全部得标者都用最低的得标价买进。举例来说，如果有10个人竞标四箱苹果，10个人的出价分别是20元、18元、18元、17元、16元、15元、14元、13元、10元、9元，则出价最高的4个人得到购买苹果的机会，而他们的买入价都是4人当中出价最低的17元。荷兰式拍卖定价法允许个人投资者进行拍卖确定股价。拍卖的目的是确立更加精确反映市场需求的价格，有效避免股票在首次交易时暴涨暴跌。这非常符合我国当前新股发行需要解决的问题，上市公司将从股票发售中获得更多资金，同时，投资者虽然在成交首日收益较少，但是股票可以得到较大范围发售，这是一种比较符合逻辑而且更加公平的公开发售方式。

Potential Conflicts of Interest

- If a bank or a bank holding company provides commercial banking, investment banking, and securities services, several conflicts of interest may arise. *For example*, an investment banking division that is trying to sell newly issued stocks or bonds might want the securities division to sell these to their clients. The investment bankers may press the securities division's financial analysts to maintain "Buy" recommendations, or press its financial advisors to allocate these stocks and bonds to customer accounts. Such pressure may interfere with analysts' independence and objectivity or conflict with advisors' duties to clients.
- Another clear conflict of interest among banking departments involves material nonpublic information. A commercial banking or investment banking division may acquire nonpublic information about a company when negotiating a loan or arranging a securities issuance. Other parts of the banking company, such as its trading desk, may benefit unfairly if they gain access to this information.
- Because of these inherent conflicts, most bank regulators require some degree of separation among commercial banking, securities services, and investment banking. In some cases, they have prohibited firms from engaging in more than one of these activities, as was true in the United States when the Glass-Steagall Act was in force. Where banking firms are permitted to have commercial banking, securities, and investment banking units, the firms must implement **Chinese walls**, which are internal controls to prevent information from being shared among these units.

格拉斯-斯蒂格尔法案, 也称作《1933年银行法》

Banking Book and Trading Book

- A bank's financial statements reflect accounting rules that apply to different aspects of its business. Revenue and income from its fee-based activities are recorded using the normal rules of accrual accounting (权责发生制), but other rules apply to its lending and trading activities.
 - The **banking book** refers to loans made, which are the primary assets of a commercial bank.
 - The **trading book** refers to assets and liabilities related to a bank's trading activities. Unlike other assets and liabilities, *trading book items are marked to market daily*. This is straightforward for items that trade in liquid markets and have readily available prices.

The Originate-To-Distribute Model (贷款并证券化模式)

- In contrast to a bank making loans and keeping them as assets, the **originate-to-distribute model** involves making loans and selling them to other parties. Many mortgage lenders in the United States operate on the originate-to-distribute model. Government agencies such as Ginnie Mae (吉利美, GNMA), Fannie Mae (房利美, FNMA), and Freddie Mac (房地美, FHLMC) purchase mortgage loans from banks and issue securities backed by the cash flows from these mortgages.
- The benefit of the originate-to-distribute model is that it increases liquidity in the sectors of the lending market where it is used. In addition to the residential mortgage market, this model has been applied in other areas such as student loans, credit card balances, and commercial loans and mortgages. For the banks that originate the loans, selling them to other parties is a way of freeing up capital with which they can meet regulatory requirements or make new loans.
- A drawback of this model is that, in some cases, it has led banks to loosen lending standards. This was one of the factors that led to the credit crisis in the United States from 2007-2009.

Examples

1. The minimum level of capital a bank needs to maintain, according to its own estimates, models, and risk assessments, is best described as its:
 - A. equity capital.
 - B. financial capital.
 - C. economic capital.
 - D. regulatory capital.

Economic capital refers to a bank's own assessment of the minimum level of capital it needs to maintain. Economic capital is often less than regulatory capital, which is the minimum level a bank must maintain to comply with capital adequacy regulations.

Examples

2. Which of the following actions in the banking system is most likely intended to address the problem of moral hazard?
- A. ✓ Deposit insurers charge risk-based premiums.
 - B. Banks increase loans to higher-risk borrowers.
 - C. Governments implement deposit insurance programs.
 - D. Banks increase the interest rates they offer to depositors.

Charging risk-based premiums is a measure intended to address the problem of moral hazard, which exists when insured parties take greater risks than they would take in the absence of insurance.

Examples

3. An investment bank is most likely to earn a trading profit from buying and selling securities if it arranges a:
- A. Dutch auction.
 - B. private placement.
 - C. best efforts offering.
 - D. firm commitment offering.

With a firm commitment offering, an investment bank buys an entire issue of securities from the issuer and attempts to sell them to the public at a higher price. In a private placement or a best efforts offering, an investment bank earns fee income rather than trading income. A Dutch auction is a method of price discovery for an initial public offering that does not involve buying and reselling shares.

Examples

4. The purpose of a “Chinese wall” in banking is to:
- A. prevent a bank failure from endangering other banks.
 - B. prevent a bank’s departments from sharing information.
 - C. restrict companies from offering both banking and securities services.
 - D. restrict companies from engaging in both commercial and investment banking.

Chinese walls are internal controls to prevent a banking company’s commercial banking, securities, and investment banking operations from sharing information.

Examples

5. A drawback of the originate-to-distribute banking model is that it has led to:
- A. too little liquidity in certain sectors.
 - B. too much liquidity in certain sectors.
 - C. looser credit standards in certain sectors.
 - D. tighter credit standards in certain sectors.

One drawback to the originate-to-distribute model is that it has led to looser credit standards in certain sectors, such as residential mortgages. A benefit of the model is that it has increased liquidity in certain sectors.

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