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THE BASEL COMMITTEE AND EU BANKING REGULATION IN THE AFTERMATH OF THE CREDIT CRISIS

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A. Financial Turmoil and Global Recession—The Economic Sequence of the Crisis until Year-end 2009

Banking organizations and securities firms entered the turmoil in relatively sound condition and generally with capital well above regulatory requirements.[1] **8.01**

The primary source of losses came from concentrated exposures that some major financial services organizations had in US subprime mortgage-related credit. Following the 'origination for distribution' business model, mortgage and in particular subprime exposures had been largely securitized and sold to market participants, frequently outside the regulated banking sector:

- conduits and structured investment vehicles (SIVs) funded by short-term commercial papers;
- CDO underwriters;
- hedge funds;

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[1] Basel Committee on Banking Supervision, The Joint Forum, Credit Risk Transfer, Developments from 2005 to 2007, April 2008, p 2.

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FOREWORD

This volume follows the successful publication in 2000 of *International Monetary Law: Issues for the New Millennium*. That book, like this, has been written by members of the Committee on International Monetary Law of the International Law Association (MOCOMILA). Since that time, the financial crisis known as the credit crunch has intervened, and at the wise suggestion of our publishers, Oxford University Press, this volume has focused on legal issues which have emerged during the crisis. As Chairman of MOCOMILA, I sincerely thank those who have found time (in the midst of many other pressing obligations), to contribute chapters. Our warmest thanks are due to Professor Mario Giovanoli, and Mr Diego Devos, former General Counsel and current General Counsel respectively of the Bank for International Settlements, for bringing their unrivalled expertise to bear in editing this volume (they have also written for the book). It is to be hoped that by the time the next volume comes to be written, it can appear under the title, *The Global Recovery*.

Sir William Blair
London
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