University of Basrah

College of Administration and Economics

Department of Finance and Banking

Lectures of financial and banking readings

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financial system

A financial system can be defined at the global, regional or firm level. There are multiple components making up the financial system of different levels: Within a firm, the financial system include all parts of finances. The firm's financial system is the set of implemented procedures that track the financial activities of the company. For example, it would include accounting measures, revenue and expense table, wages and balance sheet . On a regional scale, the financial system is the system that enables lenders and borrowers to exchange funds. Regional financial systems would include banks and other financial institutions, financial markets, financial services. . The global financial system is basically a broader regional system that include all financial institutions, borrowers and lenders within the global economy, financial systems would include the International Monetary Fund, central banks, World Bank and major banks .

financial system functions

The major functions of the financial system, including the following:

1. Provide Credit: The provision of credit to finance the purchase of goods and access to services and the financing of capital investments accommodation buildings, construction, roads, etc.

2. raise dues and the performance of the obligations Payments: the financial system provides a way of performance of the obligations in the form of cash currency and checks and other means of payment

3. Money Creation: Be through monetary exchange.

4. collecting Savings: the financial system leads to the creation of outlets for savings, whether by person or institutions.

the basic elements of a well functioning financial system

It is possible that the financial system works well if there had been following elements;

1- **Efficiency**

An efficient financial system is fundamental to supporting growth

a- **Operational efficiency** where financial products and services are delivered in a way that minimises costs and maximises value.

b- **Allocative efficiency** where the financial system allocates financial resources to the most productive and valuable use.

c- **Dynamic efficiency** where the financial system delivers price signals that induce the optimal balance between consumption and saving.

2- **Elasticity**
Elasticity term mean the financial system’s capacity to adjust to the normal business cycle and economic shock.

3- **Fair treatment**
Fair treatment happen where participants act with integrity, honesty, transparency and non-discrimination.

4- **Roles and responsibilities of participants**
Confidence and trust are essential ingredients in building an efficient, resilient and fair financial system that facilitates economic growth.

5- **Culture of financial firms.**

For translation

Characteristics of a well-functioning financial system

The financial system plays a vital role in supporting sustainable economic growth and meeting the financial needs of Australians. It does this by facilitating funding, liquidity and price discovery, while also providing effective risk management, payment and some monitoring services.

The Inquiry believes the financial system achieves this most effectively when it operates in an efficient and resilientmanner and treats participants fairly. This occurs when participants fulfil their roles and responsibilities in a way that engenders confidence and trust in the system.

The financial industry makes a considerable contribution to employment and economic output in Australia. However, the Inquiry believes the focus of financial system policy should be primarily on the degree of efficiency, resilience and fairness the system achieves in facilitating economic activity, rather than on its size or direct contribution (such as through wages and profits) to the economy.

1- Efficiency

An efficient financial system is fundamental to supporting Australia’s growth and productivity. An efficient system allocates Australia’s scarce financial and other resources for the greatest possible benefit to our economy, promoting a higher and more sustainable rate of productivity, and economic growth. The Inquiry is concerned with three distinct, but interrelated, forms of efficiency:

- Operational efficiency — where financial products and services are delivered in a way that minimises costs and maximises value. This largely depends on how effectively firms deploy labour, capital and technology, and the regulations with which firms comply. Strong competition, both from new entrants and incumbents, encourages firms to innovate and increase operational efficiency to survive and prosper. This can be seen in the ongoing industry focus on deploying new technologies in the Australian financial system to improve the quality and reduce the cost of products and services. Good policy-making can also assist operational efficiency by providing a stable regulatory environment and well-designed regulation that takes into account its likely effect on industry.
- Allocative efficiency — where the financial system allocates financial resources to the most productive and valuable use. Central to achieving allocative efficiency is the ability of prices to adjust freely to give participants information about the value and risk of various financial products and services. Prices help allocate financial resources to productive uses. Prices also help allocate risks to those most willing and able to bear them, such as through insurance or derivative contracts. For prices to play this role, market participants require access to comprehensive information about the risks and expected returns of financial products. Allocative efficiency can be hampered by ineffective disclosure, government guarantees (explicit or implicit) and tax policies that distort price signals.
- Dynamic efficiency — where the financial system delivers price signals that induce the optimal balance between consumption and saving (deferred consumption). At times, policy intervention may be required to overcome behavioural biases that impede an economy’s ability to allocate resources with dynamic efficiency. For example, Australia’s compulsory superannuation system was introduced, in part, to overcome the tendency of individuals to underestimate the value of deferred consumption for long periods, such as for retirement.

2- Elasticity

Resilience refers to the financial system's capacity to adjust to both the normal business cycle and a severe economic shock. A resilient system does not preclude failure, nor necessarily imply price stability. Rather, a resilient system can adjust to changing circumstances while continuing to provide core economic functions, even during severe but plausible shocks. In a resilient system, individual institutions in distress should be resolvable with minimal costs to depositors, policy holders, taxpayers and the real economy.

Occasional episodes of financial instability are inherent in a market economy and are typically associated with asset price volatility, high levels of leverage, under-pricing of risks and mismatches between assets and liabilities. History suggests that events of instability will continue to occur, but their timing, severity and causes cannot be reliably predicted.

Although Australia's experience of the global financial crisis (GFC) was not as acute as that of other countries — in part because of a strong Commonwealth fiscal position, effective monetary policy, ongoing demand for commodity exports and a prudent and well-managed financial system — Australia has not always been so well placed. Land and property speculation in the 1880s and 1890s led to an economy-wide depression, with real per capita GDP falling 20 per cent and around half of the Australian trading banks closing.[3] During the 1930s depression, a number of financial institutions faced depositor runs.[4] In the late 1980s and early 1990s, an unsustainable boom, primarily in the commercial property sector, combined with poor lending practices and associated loan defaults, resulted in aggregate bank losses equivalent to one-third of shareholders' funds.[5] This led to depositor runs on some institutions and was a contributing factor in Australia's recession at that time.

Severe financial shocks have broad negative consequences, both for individuals and for the general economy. Depositors, policy holders, creditors and shareholders of affected institutions can lose money. Credit and risk management services may be scaled back. In extreme circumstances, payments mechanisms may break down. Confidence in the financial system can evaporate, causing contagion to spread from distressed institutions to the rest of the system. General economic growth slows, unemployment rises and standards of living fall.

Australia's use of offshore funding, while beneficial to economic growth, makes the country vulnerable to sudden changes in international investor sentiment. Because of this, it is critical that the Australian financial system is resilient. As the cost of offshore borrowing is linked to the nation's credit rating, it is also critical that both federal and state governments maintain strong fiscal positions.

3- Fair treatment

Fair treatment occurs where participants act with integrity, honesty, transparency and non-discrimination. A market economy operates more effectively where participants enter into transactions with confidence that they will be treated fairly.

Fair treatment does not involve shielding consumers from responsibility for their financial decisions, including for losses and gains from market movements. Some investor losses are an inevitable feature of a well-functioning market economy, which allows risk-taking in search of a return.

Behavioural biases and information imbalances[6] can be detrimental to both financial system participants and system efficiency. Participants, including consumers, have a responsibility to accept the outcomes of their financial decisions, but financial firms should have regard to these information imbalances in treating their customers fairly.

Financial firms need to place a high degree of importance on treating customers fairly. This includes providing consumers with clear information about risks; competent, good-quality financial advice that takes account of their circumstances; and access to timely and low-cost alternative dispute resolution and an effective judicial system.

4- Roles and responsibilities of participants

Confidence and trust are essential ingredients in building an efficient, resilient and fair financial system that facilitates economic growth and meets the financial needs of Australians. However, confidence and trust cannot be prescribed in legislation. Rather, the Inquiry expects participants to fulfil the following roles and responsibilities in a way that engenders confidence and trust:

- Consumers are generally best placed to make financial decisions that meet their financial needs and have a responsibility to accept the outcomes of those decisions when they have been treated fairly.
- Businesses,[7] both small and large, should be able to access funding and take productive risks to reap commercial rewards. The outcomes from

these ventures should be shared according to well-defined and enforceable contractual terms. Businesses should not be prevented from failing, nor guaranteed access to private financial services on non market based terms.

- Financial firms (banks, insurers, financial advisers, superannuation trustees, responsible entities, lenders, brokers etc.) should act in the interests of their legal beneficiaries. Financial firms should earn the confidence and trust of customers by complying with their legal obligations and considering community expectations, thus limiting or avoiding the need for more prescriptive or interventionist regulation.
- Regulators are responsible for discharging their mandate and exercising their judgement to the standards of the civil service. To be effective, regulators should be independent and accountable, and have access to the appropriate regulatory tools and resources.
- Governments are responsible for setting policy that enables the financial system to facilitate sustainable growth and meet the financial needs of Australians, while minimising risk to taxpayers' funds. Governments have an obligation to act in the long-term national interest, rather than using the financial system for short-term political gain.[8]

5- Culture of financial firms

Since the GFC, a persistent theme of international political and regulatory discourse has been the breakdown in financial firms' behaviour in failing to balance risk and reward appropriately and in treating their customers unfairly. Without a culture supporting appropriate risk-taking and the fair treatment of consumers, financial firms will continue to fall short of community expectations. This may lead to ongoing political pressure for additional financial system regulation and the undermining of confidence and trust in the financial system.

An organisation's culture reflects its accumulated knowledge, beliefs and values in a way that sets norms for the behaviour of its employees and their decision making. Organisational objectives, business strategies and systems all influence employees' behaviour, which reflects on an organisation's culture. Leaders and their governing bodies determine organisational culture through their own conduct and design of objectives, strategies and systems. This creates competitive advantage.

The Inquiry considers that industry should raise awareness of the consequences of its culture and professional standards, recognising that, responsibility for culture in the financial system ultimately rests with individual firms and the industry as a whole. Culture is a set of beliefs and values that should not be prescribed in legislation. To expect regulators to create the 'right' culture within firms by using prescriptive rules is likely to lead to over-regulation, unnecessary compliance cost and a lessoning of competition. The responsibility for setting organisational culture rightly rests with its leadership.

bank management (the bank balance sheet)

The asset and liability management (Asset Liability Management) aims to expand the degree of consensus and the correlation between the following variables: (profitability and risk), These two variables are considered key elements in any decision in the bank.

Each bank has a function to reflect the benefit of preferences relating to profitability and risk.

The asset and liability management is seeking to achieve a balance between financial resources as capital and bank deposits... and the use of financial resources such as loans and other, this administration seeks to careful scientific and financial resources between liquid assets and loans and investments of different distribution.

The asset management is interested in all budget items and items outside the budget, which includes all the bank's operations that have an impact on its assets and liabilities.

Elements of asset management: The primary reserve, the reserve assistant, loans, investments.

liquidity management

In finance, liquidity management takes one of two forms based on the definition of liquidity. One type of liquidity refers to the ability to trade an asset, such as a stock or bond, at its current price. The other definition of liquidity applies to large organizations, such as financial institutions. Banks are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses. In either case, liquidity management describes the effort of investors or managers to reduce liquidity risk.

Bank Management: A process that uses banking resources correctly to achieve banking objectives. Bank management is the process of planning, organizing, employing, coordinating, motivating, and controlling all resources that benefit banking in achieving corporate objectives.

Liquidity management tools in banks

The purpose of liquidity management is to ensure that the Bank is able to meet all its contractual obligations in their due dates, The key elements of liquidity management are as follows: A good information management system; Centralized control over liquidity; Analysis of net funding requirements under different alternatives; Diversification of sources of funding; Development of contingency plan; Observers should be familiar with the manner in which the Bank manages its extrabudgetary assets, liabilities and contractual arrangements with a view to - Maintaining adequate liquidity; The Bank should have a diversified funding base in terms of funding sources and in terms of detailed analysis of the timing - Maturity of obligations; The Bank must maintain an adequate level of liquid assets.

The Bank's liquidity risk concept:

Are those risks that arise when the Bank's uses become greater than its resources during its activities and may be faced

: The bank has two cases in this regard 5

- The first case: Called the risk of immediate liquidity, which arises when the bank is unable to meet obligations

Short-term due to massive and unexpected withdrawals of funds from depositors or other credit institutions.

- The second case: called the risk of conversion, in which case the bank faces difficulties in converting its assets quickly to

Liquid assets.

Liquidity risk management in banks:

Liquidity risk management in banks means that the latter examines their cash and liquid assets needs and seeks to find out how

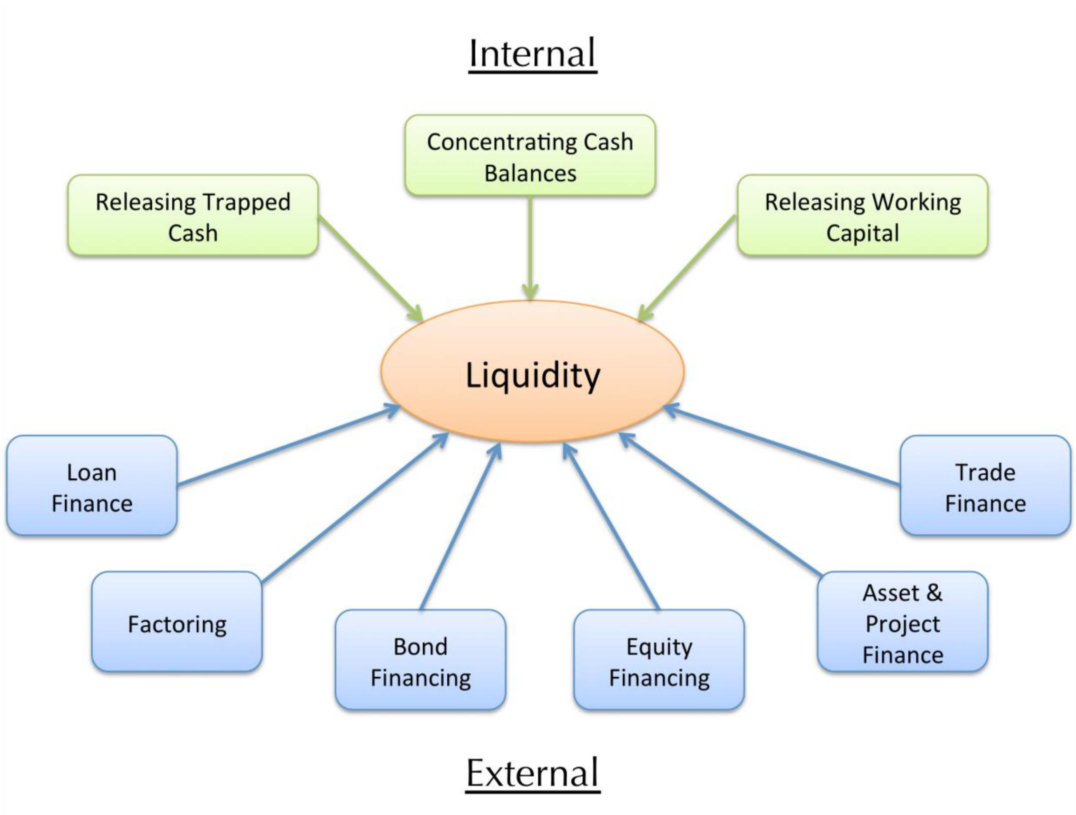
To meet these needs in the most effective and effective way

Elements of strong liquidity management

- Good management information system
- Central Liquidity control
- Analysis of net funding requirements under alternative scenarios
- Diversification of funding sources
- Contingency Planning

Liquidity Management

- Liquidity can be managed from either the asset side of the balance sheet or the liability side.
- Asset based management
  - Main goal is storing liquidity in the form of liquid assets.
  - Less risky and often used by smaller institutions
  - Costs
    - Opportunity cost of foregone earnings if sold
    - Opportunity cost of liquid assets
    - Transaction Costs
    - Weakened Balance Sheet



Asset management

Widely defined, refers to any system that monitors and maintains things of value to an entity or group. It may apply to both physical assets such as buildings and to intangible assets such as human capital, intellectual property, and goodwill and financial assets

capital adequacy management

Percentage ratio of a financial institution's primary capital to its assets (loans and investments), used as a measure of its financial strength and stability. According to the Capital Adequacy Standard set by Bank for International Settlements (BIS), banks must have a primary capital base equal at least to eight percent of their assets: a bank that lends 12 dollars for every dollar of its capital is within the prescribed limits.

What is a 'Balance Sheet'

A balance sheet is a financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time. These three balance sheet segments give investors an idea as to what the company owns and owes, as well as the amount invested by shareholders.

The balance sheet adheres to the following formula:

Assets = Liabilities + Shareholders' Equity

Assets

Non-current assets (Fixed assets)

1. Property, plant and equipment
2. Investment property, such as real estate held for investment purposes
3. Intangible assets such as (patents, copyrights and goodwill)
4. Financial assets (excluding investments accounted for using the equity method, accounts receivables, and cash and cash equivalents), such as notes receivables
5. Biological assets, which are living plants or animals. Bearer biological assets are plants or animals which bear agricultural produce for harvest, such as apple trees grown to produce apples and sheep raised to produce wool.

Current assets

1. Prepaid expenses for future services that will be used within a year
2. Accounts receivable
3. Cash and cash equivalents
4. Cash at bank, Petty Cash, Cash On Hand
5. Revenue Earned .
6. Loan To (Less than one financial period)

Liabilities

1. Accounts payable
2. Provisions for warranties or court decisions (contingent liabilities that are both probable and measurable)
3. Financial liabilities such as promissory notes and corporate bonds
4. Liabilities and assets for current tax
5. Deferred tax liabilities and deferred tax assets
6. Unearned revenue for services paid for by customers but not yet provided
7. Interests on loan stock.

Equity / capital

The net assets shown by the balance sheet equals the third part of the balance sheet, which is known as the shareholders' equity. It comprises:

1. Issued capital and reserves attributable to equity holders of the parent company (controlling interest)
2. Non-controlling interest in equity

Risk management is defined as the exercise of systematic selection of cost-effective methods to minimize impact a particular threat to the organization or institution.

All major companies as well as groups and small companies have a risk management team. While risk management is used to avoid losses as much as possible.
The concept of risk is generally associated with uncertainty. The greater the uncertainty, the greater Probability of such risks.

Financial risk management can be qualitative and quantitative. As a specialization of risk management, financial risk management focuses on when and how to hedge using financial instruments to manage costly exposures to risk.

Market Risk

Which are related to revenue as a result of changes in interest rates and fluctuations in exchange rates, prices of securities and commodity prices.

The involvement of banks, especially major banks in trading activities, has exposed them to market risks, which are the losses resulting from the opposite movements in the prices and rates of the financial market (asset prices and interest rates). This increased the overall risks to which.

Operational risks:

This type includes the risk of poor internal control, weakness in people and systems, or external circumstances, all of which lead to unexpected losses.

• Liquidity risk

These risks are the inability of the bank to pay the financial liabilities when they mature, and the bank, which can not meet short-term obligations, the beginning of the problem of the deficit, if it can lead to a smooth.

Credit Risk

Credit risk is defined as the potential financial loss arising from the inability of the customer to meet its obligations in a timely manner.

This type is related to the quality of assets and the probability of default.

Risk management in case of project management includes the following activities:

• Develop a risk management plan for the project involved, including tasks, responsibilities, activities and budget.

• Appointment of Risk Manager

• Maintain a database of risks faced by the project first. These data include: start date, title, short description, probability and finally importance.

• Create a reporting channel through which risk management team members can send reports containing their predictions of any potential risks.

• Prepare risk mitigation plans chosen to be addressed in this way. The aim of these plans is to describe how to deal with these risks and determine what, when, and how and how they will be avoided or reduced in case they become a liability.

• Prepare a summary of the risks encountered and planned to address them and the effectiveness of mitigation activities and effort in risk management.

The risk of banking

The issue of banking risk is one of the most important issues that concern the bankers, and they have attracted most of their attention globally, especially since the last few years. In the wake of the global financial and banking crises.

Where these banking crises have raised successive and deep-seated attention of banking officials and at the level of international banking, where it became clear that the most important causes of these financial crises are the increasing banking risks faced by banks on the one hand and lack of good management on the other hand, in addition to increasing the speed of the pace of physical globalization and increase The opening up of global financial and banking markets, which resulted in the introduction of new financial instruments and the expansion of their use, has increased the size and diversity of banking risks.

As banks are of the same nature, which face different types of returns and risks at the same time, the credit risk is one of the most important problems facing them and the result of the banking transactions with customers and institutions, which are classified into different types that can be measured by sophisticated indicators that allow the bank to accurately determine and forecast them in the future. Which helps them to control or minimize them if it is difficult to eliminate them.

CENTRAL

BANK

A central bank, reserve bank, or monetary authority is an institution that manages a state's currency, money supply, and interest rates. Central banks also usually oversee the commercial banking system of their respective countries. In contrast to a commercial bank, a central bank possesses a monopoly on increasing the monetary base in the state, and usually also prints the national currency,[1] which usually serves as the state's legal tender. Central banks also act as a "lender of last resort" to the banking sector during times of financial crisis. Most central banks usually also have supervisory and regulatory powers to ensure the solvency of member institutions, prevent bank runs, and prevent reckless or fraudulent behavior by member banks.

Central banks in most developed nations are institutionally designed to be independent from political interference.

For translation

The central bank

The central bank has been described as "the lender of last resort", which means that it is responsible for providing its economy with funds when commercial banks cannot cover a supply shortage. In other words, the central bank prevents the country's banking system from failing. However, the primary goal of central banks is to provide their countries' currencies with price stability by controlling inflation. A central bank also acts as the regulatory authority of a country's monetary policy and is the sole provider and printer of notes and coins in circulation. Time has proved that the central bank can best function in these capacities by remaining independent from government fiscal policy and therefore uninfluenced by the political concerns of any regime. The central bank should also be completely divested of any commercial banking interests.

Today the central bank is government owned but separate from the country's ministry of finance. Although the central bank is frequently termed the "government's bank" because it handles the buying and selling of government bonds and other instruments, political decisions should not influence central bank operations. Of course, the nature of the relationship between the central bank and the ruling regime varies from country to country and continues to evolve with time. To ensure the stability of a country's currency, the central bank should be the regulator and authority in the banking and monetary systems.

Historically, the role of the central bank has been growing, some may argue, since the establishment of the Bank of England in 1694. It is, however, generally agreed upon that the concept of the modern central bank did not appear until the 20th century as problems developed in the commercial banking system. Thus, the central bank's modern function emerged in response to an already present commercial banking structure.

Between 1870 and 1914, when world currencies were pegged to the gold standard (GS), maintaining price stability was a lot easier because the amount of gold available was limited. Consequently, monetary expansion could not occur simply from a political decision to print more money, so inflation was easier to control. The central bank at that time was primarily responsible for maintaining the convertibility of gold into currency; it issued notes based on a country's reserves of gold.

At the outbreak of WWI, the GS was abandoned, and it came apparent that, in times of crisis, governments, facing budget deficits (because it costs money to wage war) and needing greater resources, will order the printing of more money. As governments did so, they encountered inflation. After WWI, many governments opted to go back to the GS to try to stabilize their economies. With this rose the awareness of the importance of the central bank's independence from the political machine.

During the unsettling times of the Great Depression and the aftermath of WWII, world governments predominantly favored a return to a central bank dependent on the political decision making process. This view emerged mostly from the need to establish control over war-shattered economies; furthermore, countries with newly-acquired independence opted to keep control over all aspects of their countries - a backlash against colonialism. The rise of managed economies in the Eastern Bloc was also responsible for increased government interference in the macroeconomy. Soon after the effects of WWII, however, the independence of the central bank from the government came back into fashion in Western economies and has prevailed as the optimal way to achieve a liberal and stable economic regime.

How the Bank Influences an Economy

A central bank can be said to have two main kinds of functions: (1) macroeconomic when regulating inflation and price stability and (2) microeconomic when functioning as a lender of last resort.

Bank regulation

Banks are organized to protect the financial system from crises. Every organization that grows and develops in the event of a financial system passing through defaults, the stability of the financial system is necessary for the stability of the economic system and the protection of depositors and confidence in the financial system.

Financial markets

Financial markets it mean the market where exchange the financial assets And their derivatives, buying and selling, The emergence of stock exchanges because the development of trade Where it began In France, in the thirteenth century The name was came when traders meeting in front of Brescia family Palace ,the Financial market components Banking system (It specializes in short-term financial instruments such as treasury bills, deposit certificates, Commercial paper Issued by private sector companies, short-term credit facilities, and the various Types of short-term bank deposits) and Capital markets (It was dealing with the long-term tools) like Stocks and bonds, Where it can be the first market When issuance process are for the first time (Primary Market) or (Secondary Market) When trading stocks and bonds that was issued.

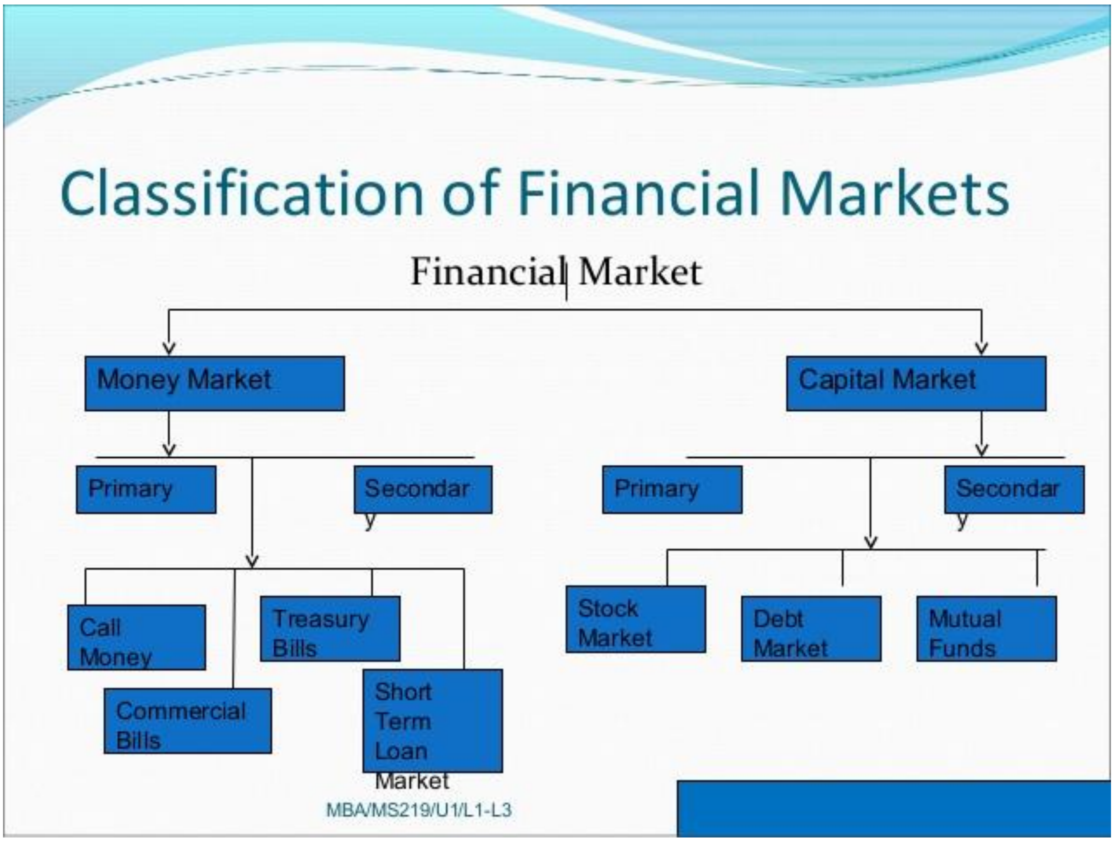
Importance of financial markets

1. Provide adequate financial liquidity for the exchange of shares

2 - Facilitate the expansion and transfer of ownership between companies.

3- Encouraging investment

4- Lending government and companies with direct cash resources.



Types of bonds:

1 - Permanent bonds: bonds that do not have a fixed maturity date and the only way to get rid of this bond is to sell it to another person, and this does not prevent the issuing entity from buying the bonds issued by the market directly.

2. Bonds with a due date: They are bonds with a maturity date and on that date the bondholder advances to the issuing entity to recover the nominal value of the bond.

3. Callable bonds: bonds that give the issuer the right to pay the bonds before maturity date, and the issuing entity exercises the right to call based on the prevailing market interest rate.

4 - zero yield bonds: This type of bond does not give the investor periodic benefits but the investor gets interest on the date of maturity or when selling the bond, the interest on this type of bonds in the difference between the value bought by the investor and the nominal value that sells the bond .

5. Interest Rate Floating Bonds: The rate of carbon is adjusted periodically to reflect the effect of inflation, because inflation makes the interest on it insufficient to compensate the investor.

6 Poor Bonds: These bonds are meant to raise the amount of risk associated with the realized yield.

7. Convertible bonds: means that the issued bonds may be converted into ordinary shares. Either the bond holder's choice is optional or compulsory by calling the bond holder.

Securities dealing in the financial markets

The bond is a debt instrument under which the issuer undertakes to refund the value of the bond in addition to the interest to the owner of the bond through an agreed period of time.

Bond Characteristics:

The characteristics of the bonds are as follows:

- A loan document evidencing that the holder is a creditor in the direction of the issuing institution;

- The holder of the bond shall benefit from a fixed income, known as interest in advance and obtained by the length of the bond;

- The characteristics of bonds traded on the stock exchange;

- The holder of the bond has no right to interfere in the management affairs of the institution;

- In the case of liquidation or bankruptcy of the institution, priority is given to bondholders to shareholders in the return of capital.

The share is an equal share of the capital of a joint stock company. The share is provided by the partner to any person who is subscribed in exchange for a document called the share and the nominal value.

A share is a security that evidences ownership of a part of the issued capital of the establishment, taking advantage of all the rights and obtaining all the burdens resulting from the possession of this paper.

Stock Characteristics:

The shares have several characteristics:

- The share allows the owner to benefit from the return of the share or share profit and also to bear part of the loss in the event of the institution achieving losses;

- Income generated by the stock is variable income, which is linked to the results achieved by the institution economic horizon of this institution;

- A share is an indefinite term paper whose theoretical duration is the life of the institution itself. For the enterprise, the share is a permanent source of financing;

- The shareholder has the right to participate in the management of the institution by participating in the special voting process;

- The stock is the subject of speculation in the stock market;

- In the case of liquidation of the institution, shareholders are the last to meet their rights as partners;

- The characteristics of the shares are negotiable on the Stock Exchange;

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justification of bank regulation

Why is banking so heavily regulated?

In recent decades there has been significant deregulation in many industries. A sector that remains heavily regulated is banking. Why is this? One reason is consumer protection but this is relatively minor. The main reason for banking regulation is to prevent financial crises.
