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USKO BANKARSTVO

Rezime

Usko bankarstvo predstavlja predlog za vrstu banke nazvanu uska banka ili sigurna banka. U krajnjoj liniji, ako bi ovo bilo široko prihvaćeno, moglo bi da vodi do sasvim novog bankarskog sistema. Uske banke bi mogle, merama smanjenja rizika ugrađenim u koncept takve banke, znatno smanjiti verovatnoću za juriše na banke i potrebu za osiguranjem depozita koje organizuje država ili centralna banka. Zagovara se da je to poboljšanje u odnosu na postojeće bankarstvo sa obaveznim rezervama. Usko bankarstvo bi ograničilo banke na to da drže likvidne i sigurne državne obveznice. Kreditiranje bi bila funkcija drugih finansijskih posrednika. To jest, uzimanje depozita i usluge platnog prometa bile bi odvojene od aktivnosti finansijskog posredovanja. U tom konceptu potrebno je postojanje dve vrste banaka (finansijskih kompanija) - po jedna za svaku od tih aktivnosti. Ovaj predlog potiče iz SAD iz vremena Velike depresije i povremeno se obnavlja prilikom finansijskih kriznih situacija. I pored oštih kritika ovog koncepta u prošlosti, u tekućoj finansijskoj krizi ponovo je na sceni i naročito je suprotstavljen konceptu "suviše velika da bi propala". U tom kontekstu su važni koncepti posebnog tretmana banaka od značaja za finansijski sistem iz materijala G20, kao i u pogledu prudencijalne regulative, i takođe razmatranja analitičara i praktičara da bi iskup, spasavanje banaka sredstvima poreskih obveznika poznato kao "bail-out", trebalo da zameni spasavanje putem "bail-in", sredstvima stejkholdera.

Ključne reči: usko bankarstvo, "suviše velika da bi propala", banka od značaja za finansijski sistem, prudencijalna regulativa, aktivnosti G20, bail-out, bail-in.

NARROW BANKING

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Summary

Narrow banking is a proposed type of bank called a narrow bank also called safe bank. Ultimately, if adopted widely, this could lead to an entirely new banking system. Narrow banks could, by risk reduction measures designed into the narrow bank concept, significantly reduce potential bank runs and the need for a deposit insurance provided by the government or the central bank. It is sometimes suggested to be an improvement upon fractional reserve banking. Narrow banking would restrict banks to holding liquid and safe government bonds. Lending would be the function of other financial intermediaries. That is, the deposit taking and payment services would be separated from financial intermediation activities. In such a concept two different types of banks (financial companies) would exist, one for each activity. This concept comes from the US and goes back to Great depression and occasionally reemerges during financial crisis periods. In spite of sharp criticism of this concept in the past, during the current financial crisis, it is back on the scene and is particularly confronting the “too big to fail” approach. In this context what is important are the concepts of treating systemically important financial institutions in the G20 papers, including prudential regulation, as well as discussions of analysts and practitioners arguing that the bailing of banks using the taxpayers money, known as “bail-out” should be replaced by “bail-in”, using the stakeholders money.

Key words: narrow banking, “too big to fail”, systemically important bank, prudential regulation, G20 activities, bail-out, bail-in.

U svom govoru na Simpozijumu povodom 50. godišnjice Rezervne banke Australije, Sidney, 9. februara 2010. godine pod naslovom “Finansijska stabilnost: 10 pitanja i otprilike sedam odgovora”, g. Jaime Caruane, generalni direktor BIS-a, pod brojem 6. pozabavio se pitanjem: **Da li je usko bankarstvo rešenje za problem finansijske nestabilnosti?**

Njegov odgovor: “Generalno, ne. Iz istorijske perspektive, nije iznenađujuće što suženo bankarstvo uživa obnovljenu privlačnost posle najnovijeg buma, a zatim pada uslovljenog kreditima. Simon¹ je izneo svoju tvrdnju u pogledu sličnog trenutka u 1930-tim godinama. Još jednom je demonstracija đavolskog potencijala ekscenog uzimanja rizika vodila predlogu da se kreditiranje izгна iz novčanog hrama.”

Predlozi u vezi sa uskim bankarstvom

Noviji trend u bankarskoj regulativi bavi se time kako da se spreči zaraza u finansijskom sistemu. Bankarska regulativa je do sada uglavnom zavisila od sigurnosne mreže, kao što je osiguranje depozita. Ključna karakteristika sigurnosne mreže oslanja se na *ex post* diskrecionu intervenciju države. Nedavno je ukazano na to da, dok stabilnost finansijskog sistema zavisi od sigurnosne mreže, ona takođe generiše društveni trošak zbog moralnog hazarda u ponašanju finansijskih institucija. Zato se sada traga za *ex ante* regulatornim metodom zasnovanim na tržišnoj disciplini koji bi zamenio *ex post* diskrecionu regulativu i tako predlozi za usko bankarstvo privlače veliku pažnju kao takav regulatorni mehanizam.²

Inače, istorijski, poreklo predloga za usko bankarstvo ide do tzv. Čikago plana iz 1933. godine u SAD. Ovaj plan uključuje ideju “100 procentnog novca”, koja uklanja mehanizam kreiranja kredita iz privatnih banaka u cilju sprečavanja juriša na banke i smanjenja volatilnosti ekonomskih fluktuacija.

Kongres SAD odbio je ovaj plan i 1935 godine Zakonom o bankama usvojeno je poboljšanje osiguranja depozita i ograničenja na kamatne stope za depozite. Ironično, ekonomisti kao Fischer (1935.) i Friedman (1960.) aktivno su podržavali “100 procentni novac”. Ali se sada ideja uglavnom usmerila na uklanjanje kreacije kredita, smanjenje volatilnosti ekonomskih fluktuacija i unapređenje mogućnosti kontrole nad novčanom masom, sa manjom pažnjom posvećenom finansijskoj stabilnosti.

Od 1980-tih godina nastupile su finansijska liberalizacija i sekjuritizacija i javile su se finansijske krize, kao što je debakl sa štednjom i kreditima. Ovo je privuklo veću pažnju na stabilnost regulatornih metoda zasnovanih na tržišnoj disciplini nego na tekuće diskreciono regulisanje.

Karakteristična su tri predloga za usko bankarstvo

Predlozi se odnose na to da dve osnovne funkcije banaka (tj. uzimanje depozita i kreditiranje) treba da rade različite institucije da bi se sprečila zaraza finansijskog rizika iz platnog sistema. U ovakvom slučaju, uske banke se uopšteno smatraju za specijalizovane u aktivnostima uzimanja depozita i plaćanja pri čemu se ne bave uslugama kreditiranja. Pri tome se preciznije definicije uskih banaka znatno razlikuju u tim predlozima. Daje se prikaz tri predloga:

1. **Litan** (1987.): prvi zabeleženi predlog izložio je profesor Robert Litan sa Brookings Institution. Predlog ističe “finansijske holding kompanije” kao visoko diversifikovane finansijske konglomerate. Ove kompanije imaju dve vrste subsidijara: “banke” i posebno inkorporisane kreditne subsidijare. Banke služe kao transakcioni procesori, primaju depozite i investiraju samo u visoko likvidne sigurne hartije od vrednosti, ili u praksi, obligacije Trezora SAD ili druge instrumente sa garancijom na federalnom nivou. Na drugoj strani, finansijske holding kompanije pružaju

¹ H Simon, “Rules versus authorities in monetary policy”, *Journal of Political Economy*, 1936, vol 44, pp 1-30.

² Nedavno su Ito-Yokado Co., Ltd, veliki ritejler, i Sony Corp, objavili svoju nameru da uđu u bankarski biznis. Ito-Yokado planira da ponudi usluge primanja depozita i saldiranja, ali neće pružati usluge kreditiranja. Ovo privlači veliku pažnju, jer se može smatrati realizacijom predloga za usko bankarstvo.

In his speech at the Symposium on the occasion of 50 years of the Reserve Bank of Australia, Sidney, February 9, 2010, titled "Financial Stability: 10 questions and about seven answers, Mr. Jaime Caruana, General Manager of BIS, under the question 6 addressed the following: **Is narrow banking the solution to the problem of financial instability?**

His answer: "Not in general. In a historical perspective, it is not surprising that narrow banking is enjoying renewed appeal after the latest credit-fuelled boom and bust. Simon¹ made his argument at a similar moment in the 1930s. Once again, a demonstration of the devilish potential of excessive risk-taking has led to proposals to cast out lending from the temple of money."

Narrow banking proposals

The latest trend in banking regulation concerns how to prevent contagion in the financial system. Bank regulation in the past has mainly been dependant on the safety net, such as deposit insurance. The key feature of the safety net relies on an *ex post* discretionary intervention of the state. Recently it has been pointed out that, while the stability of the financial system depends on the safety net, it has also generated a social cost due to moral hazard behavior of the financial institutions. Thus, an *ex ante* regulatory method based on market discipline is now being sought that would replace the *ex post* discretionary regulation, and narrow banking proposals are attracting much attention as such a regulatory mechanism.²

Historically, the origin of narrow banking proposals can be traced back to the so called Chicago Plan, from 1933 in the US. This plan includes the idea of "100 percent money", which removes the credit creation mechanism of private banks aiming at preventing bank runs and reducing the volatility of economic fluctuations. The plan, however, was rejected by the US Congress and in 1935 the Bank

Act adopted an improvement of deposit insurance and a restriction on deposit rates. Ironically, economists such as Fischer (1935) and Friedman (1960) were active supporters of "100 percent money". But the idea now mainly focused on the removal of credit creation, reduction of volatility of economic fluctuations and improvement of the controllability of the money supply, less attention being paid to the financial stability.

From the 1980s, financial liberalization and securitization got under way and financial crises, such as the savings and loan debacle, occurred. This, naturally, attracted more attention to the stability of regulatory methods based on market discipline than to current discretionary regulation.

Three proposals characteristic for narrow banking.

The proposals suggest that two major functions of banks (i.e. deposit-taking and lending activities) should be undertaken by different institutions in order to prevent contagion of financial risk from payment systems. In this case, narrow banks are broadly referred to as ones specializing in deposit-taking/payment activities that do not provide lending activities. At the same time more precise definitions of narrow banks vary greatly among proposals. Three characteristic proposals are as follows:

1. **Litan** (1987): the first narrow banking proposal on record was set forth by Professor Robert Litan of the Brookings Institution. The proposal authorizes "financial holding companies" as highly diversified financial conglomerates. These companies have two kinds of subsidiaries: "banks" and separately incorporated lending subsidiaries. The banks serve as transaction processors, accepting deposits and investing only in highly liquid safe securities, or in practice, US Treasury or other federally guaranteed instruments. On the other hand, the financial holding companies extend

¹ H. Simon, "Rules versus authorities in monetary policy", Journal of Political Economy, 1936, vol 44, pp 1-30

² Recently, Ito-Yokado Co., Ltd, a major retailer, and Sony Corp, announced their intentions to enter banking business. Ito-Yokado plans to offer deposit-taking and settlement services, but will not provide lending services. This attracts a great deal of attention, since it can be regarded as a realization of narrow banking proposals.

kreditne usluge samo kroz kreditne subvencije, koje se u potpunosti financiraju komercijalnim papirima, obligacijama, akcionarskim kapitalom, i tako dalje.³

2. **Pierce** (1991.): ovaj predlog je izložio profesor James Pierce sa University of California, Berkeley. On odvaja monetarnu i finansijsku funkciju u pojedinačne institucije, pri čemu kompanije za monetarne usluge obavljaju monetarne funkcije, a finansijskim funkcijama se bave kompanije za finansijske usluge. Prve vode tekuće račune i transfere sa ovlašćenjem da plaćaju kamate na sve svoje račune, ali ograničen je obim aktive koju mogu da drže. To jest, aktiva je ograničena na kupovinu kratkoročnih, visoko utrživih i visoko kotiranih instrumenata koji su u portfolijima uzajamnih fondova novčanog tržišta, kao što su kratkoročne hartije od vrednosti Trezora i komercijalni papiri visokog rejtinga. Na taj način kompanije za monetarne usluge odgovaraju uskim bankama i pružaju usluge plaćanja, uključujući kliring čekova, elektronska sredstva i eskontne usluge. Na drugoj strani, kompanije za finansijske usluge mogu da obavljaju sve druge aktivnosti uključujući osiguranje i ritejl.⁴

3. **Bryan** (1991.): Lowell Bryan iz McKinsey&Co. predložio je *kor banking*. Ovaj predlog kao kod Litana, ustanovljava finansijsku holding kompaniju, čija banka subvencijar obavlja funkciju uske banke. Obim sigurne aktive koju banka subvencijar može da drži širok je - neke od kreditnih usluga kao što su hipotekarni krediti može da pruža banka subvencijar. Otuda se može zaključiti da se banka subvencijar u ovom predlogu angažuje na kreiranju kredita. Kreditni subvencijar, sa svoje strane, pruža usluge kao što su transakcije sa visokim leveridžom i kreditiranje manje razvijenih zemalja.

Znači, jedan predlog ograničava usku banku na investiranje u kratkoročnu sigurnu aktivu kao što su zapisi Trezora (Pierce 1991.), dok

drugi dozvoljava da banka kreditira male firme (Bryan 1991.), ali oba definišu takve bankarske strukture kao "usku banku". Neodređenost definicije uske banke otvara pitanje kakva je snaga svakog takvog predloga u odnosu na finansijski rizik i koji predlog je najbolji za postizanje stabilnosti finansijskog sistema.

Kritika koncepta uskog bankarstva

Nasuprot ovakvim predlozima ima drugačijih argumenata. Polazeći od toga da predlozi o uskom bankarstvu za njihove zagovornike predstavljaju najbolje rešenje i možda jedinu nadu za smanjenje gubitaka za poreske obveznike po federalnim programima SAD osiguranja depozita, najpre treba dati odgovore na neka osnovna pitanja iz bankarskog poslovanja.

Oštar kritičar uskog bankarstva Bert Ely, predsednik Ely & Company, Inc., Alexandria, Virdžinija, direktno polazi od toga da je koncept uske banke zasnovan na pogrešnoj analizi uzroka fijaska FSLIC⁵ i nastalih problema u Bankarskom fondu osiguranja

Argumentacija Bert Elyja široka je i obuhvatna i zato ovde prezentujemo izbor argumenata koji najupečatljivije prikazuju njegove primedbe na koncept uske banke.

"Zagovornici uskog bankarstva smatraju da se nesolventnost banaka i štedionica (S&L) javlja zato što aktiva ovih institucija gubi vrednost. Ove insolventnosti se javljaju iz dva razloga. Prvo, menadžeri nekih banaka i štedionica uzimaju ekscesni rizik imajući depozite osigurane na federalnom nivou u odnosu na njihov akcionarski kapital. Drugo, regulatori nisu u mogućnosti da obuzdaju ekscesno uzimanje rizika menadžera banaka i štedionica ili da nateraju vlasnike depozita da investiraju dovoljno akcionarskog kapitala u ove institucije. Odgovor na ove probleme zagovornici uskog bankarstva vide u regulatornom uklanjanju problema. Zabranom

³ U Herring and Litan (1995), sam Litan izgleda da sumnja u ostvarivost predloga za usko bankarstvo.

⁴ Pored toga, Pierce-ov predlog sadrži to da kompanije za monetarne usluge imaju kapitalnu bazu i uživaju federalno osiguranje bez limita za sve svoje obaveze.

⁵ Federalna agencija osnovana 1934. godine za osiguranje depozita u štedionicama članicama. Kongres je 1989. godine doneo zakon o iskupu štedionica obnavljajući regulatornu strukturu ove delatnosti. FSLIC je ukinut i njegove aktivnosti je preuzela nova agencija, Fond za osiguranje asocijacije štedionica (SAIF), jedinica Federal Deposit Insurance Corporation (FDIC).

lending services only through the lending subsidiaries, wholly funded by commercial paper, debentures, equity, and so on.³

2. **Pierce** (1991): this proposal was designed by Professor James Pierce of the University of California, Berkeley. It separates monetary and financial functions into individual institutions; while monetary service companies serve monetary functions, financial functions are handled by financial services companies. The former provide checking account and wire transfers and are permitted to pay interest in all their accounts, but the extent of the assets they can hold is restricted. That is, the assets are limited to purchases of short-term, highly marketable, and highly rated instruments that are in the portfolios of money market mutual funds, such as short-term Treasury securities, and highly rated commercial paper. Thus, the monetary service companies correspond to narrow banks and provide payment services, including check clearing, electronic funds and discount windows. On the other hand, the financial service companies can serve all other activities including insurance and retailers.⁴

3. **Bryan** (1991): the core banking proposal set forth by Lowel Bryan of McKinsey & Co. This proposal, like Litan's, establishes the financial holding company, with the bank subsidiary undertaking the narrow banking function. The extent of the safe assets the bank subsidiary can hold is broad - some of the lending services, such as mortgage loans can be provided by the bank subsidiary. Hence, one may conclude that the bank subsidiary in this proposal is engaged in credit creation. The lending subsidiary, on the other hand, provides such services as highly leveraged transactions and less-developed country lending.

Consequently, one proposal allows the narrow bank to invest only in short-term safe assets such as Treasury bonds (Pierce 1991) while another proposal allows the bank to extend credit to small firms (Bryan 1991).

However, both proposals define such banking structures as "narrow bank". Indetermination of the narrow bank definition rises the question of what is the strenght of any such proposal regarding the financial risk and what proposal is the best for acheiving the financial system stability.

Criticism of the narrow bank concept

There are various arguments opposing such proposals generally stressing that the narrow banking is seen by its advocates as the best hope, perhaps the only hope, for reducing taxpayers losses in the US federal deposit insurance programs. Therefore it is of paramount interest to erstwhile give the answers to some basic questions regarding the banking functioning.

The harsh critic of the narrow banking concept, Mr. Bert Ely, president of Ely & Company, Inc, a financial institutions consulting firm in Alexandria, Virginia, directly states that the narrow banking concept is based on a faulty analysis of the causes of the FSLIC fiasco⁵ and the emerging of the Bank Insurance Fund.

Argumentation voiced by Mr. Ber Ely is a broad and comprehensive one, hence hereby we present a selection of points that most vividly present his objections to the narrow bank concept.

"Advocates of narrow banking reason that bank and S&L insolvencies occur because the assets of these institutions lose value. These insolvencies are widespread for two reasons. First, managers of some banks and thrifts take excessive risk with federally insured deposits relative to the amount of their equity capital. Second, regulators are unable to restrain excessive risk-taking by bank and S&L managers or to force depository owners to invest sufficient equity capital in these high-risk institutions. The answer to these problems, according to narrow banking advocates, is to

³ In Herring and Litan (1995), however, Litan himself seems to cast doubt on the feasibility of narrow banking proposals.

⁴ In addition, Pierce's proposal holds that the monetary service companies have a capital base and enjoy federal insurance for all their liabilities without limit.

⁵ Federal agency established in 1934 to insure deposits in member savings institutions. In 1989, Congress passed savings and loan bailout legislation revamping the regulatory structure of the industry. FSLIC was disbanded and its insurance activities were assumed by a new agency, Savings Association Insurance Fund (SAIF), a unit of the Federal Deposit Insurance Corporation (FDIC).

da menadžeri osiguranih institucija ulaze u rizične investicije, zagovornici uske banke žele da učine posao regulatora uspješnijim i da na taj način štite poreske obveznike.

Ovim se ipak rešenje putem uske banke bavi posledicama problema, a ne uzrocima. Kao svako rešenje koje se bavi isključivo posledicama, uska banka sama stvara druge poteškoće. Rešenje putem uske banke ne hvata se problema zašto osigurane banke i štedionice investiraju u aktivu koja gubi vrednost. Zašto neki menadžeri banaka uzimaju ekscesni rizik? I zašto regulatori banaka nisu u stanju da spreče ekscesno uzimanje rizika kada se ono javi?

Ekonomski podsticaji pred bankama i menadžerima su u samom korenu ekscesnog uzimanja rizika kod depozitnih institucija. Na žalost, tradicionalno gledište regulatora ne pokušava da shvati ili prihvati ekonomske podsticaje. Umesto toga regulativa nastoji da natera ekonomske aktere da se ponašaju nasuprot svojim ekonomskim podsticajima. Pristup uskog bankarstva je u velikoj meri deo te tradicije, oslanjajući se na regulatorne zabrane da se ispravi nepoželjno ponašanje.

Mada se državne šeme osiguranja depozita razlikuju od zemlje do zemlje, u praksi svaka razvijena zemlja sprovodi politiku *“suvise veliki da bi propali”* koja efektivno štiti većinu bankarskih depozita i sve depozite u velikim bankama od gubitka glavnice, kamate ili likvidnosti.

Bankarski depoziti dobijaju takvu opštu državnu zaštitu jer predstavljaju kategoriju koju je Bert Ely nazvao *“hazardna pasiva”*. Bankarska pasiva predstavlja hazard jer ovi depoziti, većinom po viđenju, služe za finansiranje manje likvidnih bankarskih kredita i investicija - banke ostvaruju svoju važnu funkciju u procesu posredovanja - ročnu transformaciju izvora.

Tržišne privrede ne mogu da funkcionišu bez hazardne pasive kakva je kod banaka i uzajamnih fondova novčanog tržišta. Nijedno savremeno tržište ne može da funkcioniše ukoliko kupci ne mogu da promptno povuku svoja sredstva da bi kupili robu, platili usluge ili otplatili dug.

Hazard koji je ugrađen u bankarske depozite znači da bi regulatorni pokušaji da se gubici banke nametnu deponentima u krajnjoj

liniji bili skuplji za ekonomiju nego jednostavno korišćenje novca poreskih obveznika da bi se u potpunosti zaštitili svi deponenti. Ova isključivost se javlja zbog toga što deponenti mogu brže da jurnu nego što regulatori mogu da reaguju. Bekstvo deponenata će nagnati banke koje tonu na prodaju aktive što bi vodilo smanjenju vrednosti franšize i vatrogasne prodaje gubitaka. Ovi troškovi bi išli pod ruku sa pojačanim poremećajem i sistemskom nestabilnošću unutar ekonomije, te bi ukupni troškovi nadmašili sve gubitke nametnute deponentima koji ne uspeju da povuku svoja sredstva pre nego što banka bude zatvorena.

Koncept uske banke nastoji da umani ročnu transformaciju u osiguranim bankama nagoneći ih da investiraju u kratkoročne likvidne hartije od vrednosti. Takođe nastoji da umani kreditni rizik povezan ovom aktivom. Prateći efekat ovog striktnog ograničenja za uske banke bio bi znatno smanjenje iznosa eksplicitno osiguranih depozita. Pritisak deponenata iz privrede i ritejla da drže svoja sredstva u formi hazardne pasive i da traže ugovore sa dužim rokovima neće prestati zato što je obim dozvoljene aktive kod osiguranih banaka sužen. Zato bi obavezno usko bankarstvo preusmerilo taj pritisak na neosigurane institucije koje bi imale iste karakteristike rizika kao što su kod sadašnjih banaka. To bi dalje jačalo sistemski rizik, jer bi u krajnjoj liniji opet juriši na neosigurane banke uzdrмали finansijski sistem i usko bankarstvo bi porazilo glavni cilj tog koncepta - smanjenje obuhvata sigurnosne mreže koja se zasniva na novcu poreskih obveznika.

Napredak u IT podršci snažno je doprineo integrisanju proizvoda i distribucije finansijskih usluga. Koncept uske banke se kreće tačno na suprotnu stranu odvajajući dve klasične bankarske funkcije: kreditiranje i uzimanje depozita ili usluge plaćanja. U stvari, mnogi poslovni odnosi banaka i rastući broj ličnih bankarskih odnosa povezuju ove aktivnosti u jedinstven proizvod, na primer, tekući račun sa privilegijom prekoračenja ili putem dva povezana računa.

Usko bankarstvo, dovedeno do logičkog ekstrema razdvojilo bi ove vrste odnosa unošenjem kreditiranja u organizaciju koja je pravno različita od banke koje uzima depozite i obavlja usluge plaćanja. Ovo je jednostavno

regulate the problem out of existence. By prohibiting managers of insured institutions from making risky investments, narrow bank advocates seek to make the regulators' job more manageable and thus to protect taxpayers.

But this way the narrow banking solution addresses the consequences of the problem, not the causes. Like any solution that focuses solely on consequences, narrow banking would itself create other difficulties. The narrow bank solution does not come to grips with the problem of why insured banks and S&L invest in assets that lose value. Why do some bank managers take excessive risk? And why are bank regulators unable to prevent excessive risk taking when it occurs?

The economic incentives faced by bank and thrift owners and managers lie at the root of the excessive risk-taking of depository institutions. Unfortunately, the traditional regulatory veil of the world does not attempt to understand or accommodate economic incentives. Instead, regulation attempts to force economic actors to behave in a way contrary to their economic incentives. The narrow banking approach is very much in this tradition, relying as it does on regulatory prohibitions to correct an undesirable behavior.

Although formal government deposit insurance schemes vary from country to country, in practice every developed country has a too-big-to-fail policy that effectively protects most bank deposits and *all* deposit in large banks, against loss of principal, interest or liquidity.

Bank deposits receive such universal government protection because they represent a category that Mr. Ely called "hazardous liabilities". Bank liabilities represent a hazard because these deposits, major part of which are payable on demand, are used to fund less liquid bank loans and investments.

Market driven economies cannot function without hazardous liabilities such as bank deposits and money market mutual funds. No sophisticated market can operate unless buyers have access to readily withdrawable financial assets with which to purchase goods and services or to pay their debts.

The resulting hazard embodied in bank deposits means that regulatory attempts to

impose bank insolvency losses on depositor will ultimately be more costly to the economy than simply using taxpayers' funds to fully protect all depositors. This trade-off occurs because depositors can run faster than regulators can act. Fleeing depositors will force asset sales by a failing bank that lead to diminished franchise values and fire sale losses. These costs will be compounded by increased dislocations and systemic instability within the economy and the total costs will exceed any losses finally imposed on depositors who do not make it out the door before bank is closed.

The narrow bank concept seeks to reduce maturity transformation within insured banks by forcing them to invest in short-term liquid securities. It also seeks to reduce the credit risk associated with these assets. Demand on the part of businesses and retail to hold their financial assets with the characteristics of hazardous liabilities and to seek debt contracts with longer terms will not go away just because the scope of permissible was narrowed. Thus mandated narrow banking would shift that demand to uninsured institutions that would exhibit the same risk characteristics now seen in banks and thrifts. That would further aggravate the systemic risk, as ultimately runs on uninsured banks would shake the financial system and the narrow banking would defeat the main goal of this concept - reducing the scope of the safety net based on the taxpayers money.

Technological advance in IT support strongly contributed to the integration of products and delivery of financial services. The narrow bank concept moves precisely in the opposite direction by severing the two classic bank functions: credit granting and deposit-taking or payment services. In fact, many business banking relationships and an increasing number of personal banking relationships tie these activities together in a single product, e.g., checking account with overdraft privileges, or in two linked accounts.

Narrow banking carried to its logical extreme would bar these types of relationships by forcing credit-granting into an organization legally distinct from a deposit-taking, payment services bank. This is simply an extension of the philosophy underlying the Glass-Steagall Act of 1933, which forced the unnecessary

produžetak filozofije koja je bila u osnovi Glass Steagalovog zakona iz 1933. godine, koji je nametnuo nepotrebno odvajanje investicija od komercijalnog bankarstva. Podvajanje koje sagledavaju pobornici uskog bankarstva dalje bi povećalo operativne troškove banaka.

Koncept uskog bankarstva je retrogradan i pogrešno koncipiran odgovor na ozbiljan problem - sve manju sposobnost bankarskih regulatora da kontrolišu bankarske gubitke zbog insolventnosti. Baveći se posledicama umesto uzrocima problema, zagovornici uskog bankarstva su sačinili rešenje koje može povećati finansijsku nestabilnost u ekonomiji i smanjiti efikasnost bankarskog poslovanja.”

Jedino se u Americi koncept uske banke ozbiljno razmatra. Verovatno druge razvijene zemlje razumeju da mora postojati bolji način da se poreski obveznici zaštite od troškova zaštite deponenata u bankama od gubitaka zbog nesolventnosti banaka. Tekuća finansijska kriza koja je praktično proizašla iz SAD nova je prilika da se u nekim krugovima koncept uske banke vidi kao rešenje problema.

Najnovija prilika za oživljavanje koncepta uskog bankarstva

Predsednik Obama je u svom govoru 21. januara 2010. godine⁶ dao objašnjenje razloga za predložene najveće reforme finansijskog sektora u SAD nakon one iz tridesetih godina 20. veka. Poenta je da se pooštre zahtevi za kapitalom i likvidnošću kako bi se sistem učinio stabilnijim i da se ne dozvoli da krah jedne velike firme povuče čitavu privredu u propast. “Nikad više američki obveznik neće biti u poziciji da bude taoc neke banke koja je suviše velika da bi bankrotirala”. Centralno je, otuda, za novu legislativu koja se bavi bankama, limitiranje rizika koje mogu da uzmu velike finansijske kompanije. Pri tome nije doveden u pitanje koncept osiguranja depozita i druge zaštite i garancija kompanijama koje rukovode bankama i to zato što se ocenjuje da stabilan i pouzdan bankarski sistem podstiče održivi razvoj. Međutim, Predsednik Obama

pri tome predlaže zdravorazumsku reformu koju je nazvao “Vokerovo pravilo”, prema Polu Vokeru, nekadašnjem predsedniku Federalnih rezervi. To pravilo ograničava određene aspekte bankarskog poslovanja (posedovanje, investiranje ili sponzorisanje hedž fondova, fondova privatnog akcijskog kapitala i trgovinske transakcije za sopstveni račun). To neće biti zabranjeno, pod uslovom da se obavlja odgovorno, jer je ipak dobro za tržište. Neće biti dozvoljena dalje koncentracija banaka SAD u mega banke.

Predsednik Obama treba u narednom periodu da rešava suštinu odnosa između Volstrita i Federalne administracije. Za ovo ključno pitanje dobro je pogledati reakcije na nedavno objavljenu knjigu “13 bankara”, autori: Simon Johnson and James Kwak (sajt <http://13bankers.com>).

U međuvremenu, neki zagovornici uskog bankarstva su već požurili da u Vokerovom pravilu vide put ka ostvarivanju uske banke. Takvo zaključivanje je, bez sumnje, akademska žurba i preterivanje, jer kao što smo videli usko bankarstvo ne daje ključne odgovore novim potrebama globalizovanog finansijskog i privrednog sistema.

Možda možemo da kažemo da, mada je tekuća finansijska kriza poreklom iz SAD, ili baš zato što je poreklom iz SAD, rešenja više ne mogu da budu samo “Made in USA”. U pristupu Predsednika Obame vidi se odraz dogovorenih značajnih aktivnosti na samitima G20 u Londonu, Vašingtonu i Pitsburgu. U Izveštaju Predsedavajućeg o ekonomskim i finansijskim merama dogovorenim na samitu G20 u Londonu, Vašingtonu i Pitsburgu, na sastanku ministara finansija i guvernera centralnih banaka G20 u Sent Endrjuzu, od 7. novembra 2009. godine:⁷ aktivnosti. 48 do 74, koje obuhvataju oblasti *Prudencijalne regulative*, *Obuhvata regulative* i *Transparentnosti ocenjivanja regulatornih režima*, sadrže širok repertoar mera i nosilaca aktivnosti u svetu u cilju jačanja regulatorne i supervizijske funkcije kao obaveze savremene države u globalnom okruženju. Pored Svetske banke

⁶ Bankarstvo, 1-2/2010, UBS

⁷ Bankarstvo 1-2/2010, poseban dodatak, UBS

separation of investment from commercial banking. The separation envisioned by narrow banking's advocates would further increase the operation expenses of American banks and thrifts.

The narrow banking concept is a retrograde and an ill-thought response to a serious problem - the growing inability of banking regulators to control bank insolvency losses. By dealing with the consequences rather than the causes of the problem, narrow banking advocates have crafted a solution that would both increase financial instability within the American economy and decrease the efficiency of the banking business."

Only in America is the narrow bank concept being seriously entertained. Perhaps other developed countries understand that there must be a better way to shield taxpayers from the costs of protecting bank depositors from bank insolvency losses. Current financial crisis, which practically emanated from the US, makes a new opportunity for the narrow bank concept to be seen in some circles as the solution to the problem.

New opportunity for the revival of the narrow banking concept

Mr. Barack Obama, President of the USA, in his speech delivered on 21 January 2010,⁶ elaborated on the reasons for the proposed financial sector, the largest since the one in 1930s. One of the central points of the reforms is to strengthen capital and liquidity requirements to make the system more stable and to ensure that the failure of any large firm does not take down the entire economy down with it. "Never again will the taxpayer be held hostage by a bank that is "too big to fail". Central to the new legislation, therefore, are the limits on the risks major financial firms can take. This does not eliminate the governmental deposit insurance and other safeguards and guarantees to firms that operate the banks, because a stable and reliable banking system promotes sustained growth. The lesson from the Great Depression

tells how dangerous the failure of that system can be. Building on such an approach, President Obama proposes a simple and common-sense reform he called "Volcker Rule", after Paul Volker, a former President of the Federal Reserves. This rule, sets limits to certain aspects of banking business (ownership, investing in or sponsoring hedge funds, private equity funds or proprietary trading operations for their own profit). This will not be forbidden except if they are running a bank backed by the American people. What will be eliminated is the concentration of business in mega banks in the USA.

President Obama is poised to address the essence of relationship between Wallstreet and Federal Administration in the immediate future in the immediate future. For this crucial issue it is worthwhile to get acquainted with the reactions to recently published book "13 bankers" by Simon Johnson and James Kwak (<http://13bankers.com>).

In the meantime some advocates of the narrow banking concept have already hastened to see the Volker's rule as a road to the realization of the narrow bank. Such a conclusion is, no doubt, only academic haste and overreacting, because we have seen the arguments showing that the narrow banking cannot deliver crucial answers to the new needs of the globalized financial and economic systems.

We may say, perhaps, that although the current financial crisis is of the US origin, or even just because it is of the US origin, the solutions can no more be only "Made in USA". With this in mind, in President Barack Obama's approach one can see the reflection of the important activities agreed on the G20 summits in London, Washington and Pittsburgh. In the Progress report of the economic and financial actions of the London, Washington and Pittsburgh G20 summits, prepared by the UK chair for the St Andrews meeting of ministers of finance and governors of the central banks on 7 November 2009:⁷ the activities 48 to 74, that encompass the areas of *Prudential Regulation*, *Scope of Regulation and Transparent Assessment*

⁶ Bankarstvo 1-2/2010, ASB, pp 18 - 25.

⁷ Bankarstvo 1-2/2010, Separate Annex, ASB

i MMF-a, kao ključnih nosilaca kontrolnih i analitičkih aktivnosti iz okvira međunarodne finansijske arhitekture,⁸ okosnica mera je Bazel II koji će biti pojačan određenim novim rešenjima. Ne sme se zaboraviti da Bazel II tek treba da uđe u primenu, jer, "Da je Bazel II bio primenjen, vanbilansni mehanizmi bi bili manje rašireni ili bi ih u krajnjoj liniji podržavale bolje kapitalizovane banke, zahvaljujući višim zahtevima za kapitalom naspram ove vrste izloženosti. Ovo bi bilo smanjilo verovatnoću ili barem intenzitet škripca likvidnosti."⁹ Isto tako je u rešenjima G20 poseban akcenat dat na specifičan tretman banaka koje su od značaja za finansijski sistem (Aktivnost 65 iz pomentog Izveštaja Predsedavajućeg na sastanku u St Endrjuzu), što je sigurno daleko bolji odgovor od uske banke i praktično znači rešenje koje treba da eliminiše pristup "suviše velika da bi propala".

Postoji nešto drugo, što treba imati u vidu kao pragmatičan pristup kod rešavanja pokrivanja gubitaka banaka koje bankrotiraju. To bi bio zaokret u rešenju sa državanog iskupa (bail-out) na rešenje internog iskupa (bail-in), mada je i to viđeno u nekim prilikama u prošlosti. Na primer, skandal LTCM iz 1998. godine, kada su Federalne rezerve organizovale spasavanje ovog hedž fonda. U svom svedočenju, McDonough, predsednik Federal Reserve Bank of New York, branio je paket spasavanja kao "rešenje privatnog sektora za problem privatnog sektora", uz investiranje novog akcionarskog kapitala koji su obezbedili kreditori i partneri, ističući da je kontrola nad Fondom prešla na grupu od 14 članova kreditora i da su originalni akcionari pretrpeli težak udar. Isto tako je naglasio da Federalne rezerve nisu vršile pritisak ni na koga niti su data bilo kakva obećanja. Ni cent javnog novca nije potrošen niti obećan. Ipak, ovakav predlog kao novi pristup javlja se u najnovijim razmatranjima, ako ni zbog čega drugog, shvatamo, onda zbog toga što javnost nije dobro obaveštena o ranijim slučajevima, pa se u novim uslovima krize zahteva dublja

elaboracija i osvetljavanje praktične strane primene takvog pristupa.

Za rešavanje moralnog hazarda izlaz je prelazak sa bail-out na bail-in

Identifikovanje finansijskih institucija od značaja za finansijski sistem i zahtevi da one održavaju veći kapital i veću likvidnost stvorice sistem koji je otporniji. Ali on neće moći da spreči propast banaka. Otuda značajno pitanje makroprudencijalne politike je kako tretirati banke koje su "suviše velike da bi propale". Pri datom dobro poznatom problemu moralnog hazarda kod ovih institucija, važno je da supervizori, centralne banke i ministarstva finansija jasno saopšte šta će biti u budućnosti. Naročito je široko priznata potreba da se napusti iskup finansijskih institucija i zameni intervencijom akcionara i kreditora.

Posle bankrotstva Lehman Brothers, države su preduzele aktivnosti da spreče kolaps drugih banaka i obnove poverenje u finansijski sistem. Ove aktivnosti su obuhvatile rekapitalizaciju banaka, povećanje osiguranja depozita, davanje garancija, garantovanje ili otkup loše aktive i u nekim slučajevima su vlade preuzele kontrolu nad bankama. Oktobra 2008. godine lideri G7 obavezali su se da "preduzmu odlučnu akciju i koriste sve raspoložive alate da podrže finansijske institucije od sistemskog značaja i spreče njihovu propast". Ova izjava podržana akcijama pojedinačnih vlada, zaustavila je opadajuću spiralu finansijskog sistema ali po cenu porasta nivoa moralnog hazarda.

U svetlu rizika moralnog hazarda, donosioci politike moraju da ispitaju alternative za spasavanje banaka korišćenjem novca poreskih obveznika. Neki od predloga obuhvataju:

- Režime za prekogranično reorganizovanje u kojima se kolegijumi supervizora dogovaraju o rešavanju bankrotstva globalne banke.
- Procedure zatvaranja, uključujući "žive testamente" koji bi omogućili supervizorima da ubrzano reše propast banke.
- Korišćenje kapitalnih aranžmana za slučaj

⁸ Dragoslav Vukovic, Međunarodna finansijska arhitektura, Bankarstvo 3-4/2006,

⁹ Claudio Borio, *Ten propositions about liquidity crisis*, pp BIS, November 2009

of *Regulatory Regimes*, contain a broad selection of measures and clearly identified actors in the world with an aim to strengthening regulatory and supervisory functions as the duty of the contemporary state in the global environment. Along with the World Bank Group and IMF, as the key bearers of the controlling and analytical activities in the frame of the international financial architecture,⁸ the fulcrum of the measures is Basel II which is going to be enhanced by specific new items towards the end of 2010. It must not be overlooked that Basel II has yet to be implemented. For, had Basel II been implemented, off-balance sheet vehicles would have been less prevalent or ultimately supported by better capitalized banks, owing to the higher capital requirements against these types of exposures. This would have reduced, or at least the intensity, of the liquidity crunch.”⁹ Also, the solutions of G20 especially emphasize the specific treatment of the systemically important financial institutions (Activity 65 from the above mentioned Progress report by the UK Chair at the St Andrews meeting), which is certainly far better answer than the narrow bank and practically means the solution that should eliminate the “too big to fail” approach.

There is something else that should be considered as a pragmatic approach in addressing the covering of the failing banks’ losses. That would make a turn from solving the state bail-out to an internal solving in form of bail-in, although that has already been seen on some occasions in the past. For instance, the LTCM scandal in 1998, when the Federal Reserve organized the salvage of this hedge fund. In his testimony, Mc Donough, president of the Federal Reserve Bank of New York, was defending the salvage package as “a private sector solution for a private sector problem” by way of investing the new equity provided by creditors and counterparties, pointing out that the control of the Fund shifted to the group of 14 creditors and that the original shareholders suffered a severe blow. Also, he emphasised that the Federal Reserve did not press on anybody

nor were any promises made. Not a single cent of public money was spent or committed. However, this proposal can be found in most recent considerations as a new approach, if not for any other reason, then because the public is not well informed about cases from the past and in the new circumstances marked by the crisis, more in-depth elaboration and shedding light on the practical side of the implementation of such an approach is required.

Solution for moral hazard is migration from “bail-out” to “bail-in”

Identifying systematically important financial institutions and requiring them to hold more capital and liquidity will create a financial system that is more resilient. But it will not prevent bank failures. Another important macroprudential policy issue is, therefore, how we should deal with banks that are “too big to fail”. Given the well known moral hazard problems associated with these financial institutions, it is important for supervisors, central banks and financial ministries to clearly communicate what will be happening in the future. Especially recognized is the need to eliminate bailing out of financial institutions and move to bailing in by their shareholders and creditors.

Following the bankruptcy of Lehman Brothers, governments took actions to prevent the collapse of other banks and restore the confidence in the financial system. These actions included recapitalising banks, increasing deposit insurance, providing debt guarantees, guaranteeing or buying impaired assets and, in some cases, taking banks under government control. In October 2008, G7 leaders committed to “take decisive action and use all available tools to support systemically important financial institutions and prevent their failure”. This statement, backed by the actions of individual governments, stopped the downward spiral of the financial system but at the cost of raising the level of moral hazard.

⁸ Dragoslav Vukovic, *Međunarodna finansijska arhitektura*, Bankarstvo 3-4/2006

⁹ Claudio Borio, *Ten propositions about liquidity crises*, BIS Working Papers, November 2009, p 8.

potrebe pod nazivom “gone concern”¹⁰ koji podrazumeva zamenu duga za kapital, gde kreditori zamenjuju svoja potraživanja za obične akcije u proceduri sličnoj bankrotstvu prema Poglavlju 11 američkog zakona o stečaju (reorganizacija u cilju nastavka rada firme).

- Uvođenje herkata za neobezbeđene držaoce obveznica (tj. vele-kreditore), čime se postiže njihov doprinos reorganizaciji.
- Mreže sigurnosti koje su ograničene na ritejl deponente.

Aktivnosti ove vrste postavljaju pravilne podsticaje i čine disciplinu mnogo efikasnijom. Bez njih, pretnja da će banka biti prepuštena propasti neće biti uverljiva.

Bail-in proces za reorganizovanje banaka je potencijalna “treća opcija” (posle kapitala za slučaj potrebe i živih testamenata) koja direktno udara na ovaj problem. Ona daje zvaničnicima ovlašćenje da nateraju banku da se rekapitalizuje iznutra, korišćenjem privatnog kapitala umesto javnog novca. Ovaj koncept se zasniva na vremenom proverenim procedurama koje su omogućile da avio kompanije lete i industrijske firme rade čak i tokom postupka restrukturiranja njihovih kapitalnih struktura. Time se ubrzavaju one procedure kojima se rešavaju jedinstvene okolnosti finansijskih firmi koje posluju na današnjim, brzo promenljivim tržištima. Ako se primene pravilno, one će jačati tržišnu disciplinu za banke i smanjiti potencijal sistemskog rizika.

Poslednji primer za shvatanje ove ideje bio bi pogled na to kako bi bail-in izmenio ishod za Lehman Brothers sudbonosnog vikenda u septembru 2008. godine.

Prema tržišnim procenama iz tog vremena, bilans stanja Lehmana bio je pod pritiskom od USD 25 mlrd nerealizovanih gubitaka od nelikvidne aktive. Ali stečaj je proširio taj nedostatak na približno USD 150 mlrd gubitaka akcionara i kreditora, prema nedavnim tržišnim cenama. Bankrotstvo kompanije delovalo je kao pojačivač gubitka, multiplikujući veličinu problema faktorom šest. Ovo je povećalo dejstvo kroz sistem. Na primer, Reserve Primary Fund,

veliki fond novčanog tržišta, “slomio je dolar” narednog dana, što je dovelo do oštrog pritiska na druge fondove. Bail-in u toku tog vikenda omogućio bi da Lehman nastavi da radi i spreči veliki deo panike investitora koja je zamrzнула tržišta i produbila recesiju.

Da bi ovo funkcionisalo regulatori treba da imaju zakonsko ovlašćenje da uređuju uslove rekapitalizacije, putem dogovorenog okvira. Detalji bi se razlikovali od slučaja do slučaja, ali kod Lehmana, vlasti su mogle da postupaju na sledeći način. Prvo, pitanje vrednovanja bi se rešilo otpisom aktive za USD 25 mlrd, što bi približno obrisalo postojeće akcionare. Drugo, da se rekapitalizuje banka, investitori u preferencijalne akcije i subordinirani dug konvertovali bi svoje holdinge od približno USD 25 mlrd u 50% akcionarskog kapitala novog Lehmana. Držaoци Lehmanovog senior neobezbeđenog duga od USD 120 mlrd konvertovali bi 15% svojih potraživanja i primili drugih 50% novog akcionarskog kapitala.

Ostalih 85% senior neobezbeđenog duga ne bi bilo pogođeno kao što bi bili neobezbeđeni kreditori banke i njeni klijenti i partneri. Bančini raniji akcionari bi primili varante koji bi imali vrednost samo ako bi nova kompanija imala uspeha. Postojeći menadžment bi se zamenio posle kratkog tranzicionog perioda.

Akcionarski kapital ovog ojačanog Lehmana bi iznosio USD 43 mlrd, grubo dvostruko više u odnosu na staru kapitalnu bazu. Da bi se dalje obezbedila likvidnost i poverenje, konzorcijum velikih banaka bi se pozvao da pruži dobrovoljnu kreditnu olakšicu od više mlrd USD za Lehman, sa redosledom ispred postojećeg senior duga. Koeficijenti kapitala i likvidnosti novog Lehmana bili bi čvrsti. Bail-in kao ovaj dozvolio bi Lehmanu da počne sa radom u ponedeljak.

Mnogi investitori bi se bez sumnje bunili zbog grube reorganizacije koju nameće regulator. Da bi se očuvala vrednost, zvaničnici bi morali da dejstvuju vrlo brzo, ostavljajući malo vremena za fino usaglašavanje raznih potraživanja ili poštovanje normalnih procedura. Nova struktura bi bila zasnovana na principima

¹⁰ Mrtva firma ili firma u procesu likvidacije. Dugovi takve firme postaju odmah dospeli u potpunosti, njihova tržišna vrednost se utvrđuje na osnovu aukcije ili likvidacione vrednosti materijalne aktive i njen gđvil ne vredi ništa.

In the light of the risk of moral hazard, policymakers need to explore alternatives to bank bailouts financed by using taxpayer money. Some of proposals include:

- Cross-border resolution regimes, where colleges of supervisors agree on how to deal with the failure of a global bank.
- Wind-down procedures, including the use of “living wills”, that would allow supervisors to resolve a bank failure quickly.
- The use of “gone concerns”¹⁰ contingent capital arrangements such as debt-for-equity swaps, where creditors are required to exchange their claims for common equity in a procedure similar to a US-style Chapter 11 bankruptcy.
- Haircuts imposed on unsecured bondholders (ie. Wholesale creditors), ensuring that they make a contribution to the resolution.
- Safety nets that are limited to retail depositors.

Actions of this type put in place the correct incentives and make market discipline more effective. Without them the threat to allow a bank to fail will not be credible.

A “bail-in” process for bank resolution is a potentially powerful “third option” that confronts this problem. It gives officials the authority to force banks to recapitalise from within, using private capital instead of public money. This concept builds on time-tested procedures that have been used to keep airlines flying and industrial firms going even as their capital structures were being reorganised. It accelerates those procedures to address the unique circumstances of financial firms operating in today’s fast moving markets. If done correctly, it should strengthen market discipline on banks and reduce the potential systemic risk.

The most recent example to understand the idea is to look at how a bail-out could have changed the outcome for Lehman Brothers over that fateful weekend in September 2008.

According to market estimates at the time, Lehman’s balance-sheet was under pressure

from perhaps USD 25 billion of unrealised losses on illiquid assets. But bankruptcy expanded that shortfall to roughly USD 150 billion of shareholder and creditor losses, based on recent market prices. The company’s bankruptcy acted as a loss amplifier, multiplying the scale of the problem by a factor of six. This escalated the impact elsewhere in the financial system. For example, the Reserve Primary Fund, a large money-market funds, “broke the buck” the next day, leading to severe pressure on other funds. A bail-in during the course of that weekend could have allowed Lehman to continue operating and forestalled much of the investor panic that froze markets and deepened the recession.

To make this work, regulators would be given the legal authority to dictate the terms of a recapitalisation, subject to an agreed framework. The details will vary from case to case, but for Lehman, officials could have proceeded as follow.

First, the concerns over valuation could have been addressed by writing assets down by USD 25 billion, roughly wiping out existing shareholders. Second, to recapitalise the bank, preferred stock and subordinated-debt investors would have converted their approximately USD 25 billion of existing holdings in return for 50% of the equity in the new Lehman. Holders of Lehman’s USD 120 billion of senior unsecured debt would have converted 15% of their positions, and received the other 50% of the new equity.

The remaining 85% of senior unsecured debt would have been unaffected, as would the bank’s secured creditors and its customers and counterparties. The bank’s previous shareholders would have received warrants that would have value only after the new company rebounded. Existing management would have been replaced after a brief transition period.

The equity of this reinforced Lehman would have been USD 43 billion, roughly double the size of its old capital base. To shore up liquidity and confidence further, a consortium of big

¹⁰ Defunct firm or one in the process of being wound up. Debts of such firms become due immediately in full, their market value is determined on the basis of auction or liquidation value of their tangible assets, and their goodwill counts for nothing.

stečaja sa reorganizacijom, uz alokaciju vrednosti u skladu sa senioritetom investitora i obezbeđenjem da svaka klasa investitora prođe bolje nego kod likvidacije. Ovaj proces ne bi bio elegantan ali u celini investitori bi bili zadovoljni na kraju. U ovom primeru bail-in bi im spasao preko USD 100 mlrd, tako da bi svako - izuzev kratkih prodavaca u Lehmanu, bolje stajao nego što je to danas slučaj.

Sadašnje duge dobrovoljne procedure su nepraktične u paničnom okruženju stečaja vrlo velike, složene institucije. Čak je nedavna "ubrzana" reorganizacija CIT, malog kreditora, trajala 38 dana. Lehman je imao samo 48 sati pre likvidacije i licenca je nepovratno izgubljena. Okvir za reorganizaciju velike finansijske organizacije mora da omogući rekapitalizaciju znatno brže nego što to postojeći propisi dozvoljavaju.

Svakako je normalno očekivati bujicu mišljenja koja osporavaju ovaj koncept iz različitih razloga. Vrlo ozbiljan razlog koji baca senku sumnje je taj da li regulatori mogu da sprovedu takav kompleksan zadatak tokom vikenda kakav god pravni okvir i alate mogu da imaju na raspolaganju.

Zaključak

Primer hipotetične primene bail-in aranžmana u slučaju Lehman Brothers sasvim sigurno potvrđuje izuzetan značaj aktivnosti koje se sprovode u pristupu G20 po svim pitanjima koja su otvorena tekućom finansijskom krizom, čime se koncept uskog bankarstva postavlja na svoje mesto. Naime, kao koncept koji ne obuhvata celinu problematike i ne može da ponudi adekvatna rešenja.

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banks would have been asked to provide a voluntary, multi-billion-dollar funding facility for Lehman, ranking ahead of existing senior debt. The capital and liquidity ratios of the new Lehman would have been rock-solid. A bail-in like this would have allowed Lehman to open for business on Monday.

Many investors would no doubt complain about the rough justice of a regulator-imposed reorganization. To preserve value, officials would have to move very very quickly, leaving little time to fine-tune various claims or observe normal procedures. The new structure would be based on bankruptcy reorganisation principles, allocating value in accordance with investors' seniority and ensuring that each class of investors would be better off than liquidation. The process would not be pretty but overall, investors should be relieved by the result. In this example the bail in would have saved them over USD 100 billion in aggregate, and everybody - other than short-sellers in Lehman - would have been better off than today.

Lengthy, voluntary process is impractical in the panic surrounding the failure of a very large, complex financial institution. Even the recent "fast-track" reorganisation

of CIT, a small-business lender, took 38 days. Lehman had only 48 hours before its liquidity and customer franchise would have been irrevocably damaged. A resolution framework for a large financial organisation must allow a recapitalisation to be implemented much faster than today's bankruptcy rules allow.

Of course, it is only normal to expect a waterfall of opinions dismissing the concept for various reasons. A very serious reason that casts the shade of doubt is can the regulators work out such a complex task over weekend whatever convenient legal framework and tools they might have at their disposal.

Conclusion

The example of a hypothetical bail-in arrangement of Lehman Brothers nevertheless surely confirms the exceptionally important meaning of the activities undertaken by G20 regarding all issues raised by the current financial crisis, making the concept of narrow banking go to its place - on the shelf. Namely, as a concept that does not encompass the entirety of the problem and cannot offer adequate solutions.

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