

INDEX

- Accountability, 179-180
- Adverse selection, 97
- Asset market imperfections, 230, 241, 244
- Banking regulation and banking supervision, 20, 107-108
- Banking Supervision Committee, 107
- Basle Accord, 68, 74-75, 90
- Basle committee, 86
- Brainard uncertainty, 226
- Bretton Woods fixed exchange, 198
- Capital standards, 89-90
- Capitalisation, 75-76
- Central Bank Independence and principal agent problems, 27-29, 174-179
- Chicago Board of Trade (CBOT), 162
- Clearing House Interbank Payments System (CHIPS), 149, 156-157
- Competition Policy, 96, 99, 100, 105-106
- Continuous Linked Settlement (CLS), 156
- Co-ordination of monetary-fiscal policy, 182-184
- Credibility for low inflation, 192-195, 197-199, 202
- Credit ratings, 49, 77, 86-87
- Credit standards, 248-249
- Currency convertibility, 19
- Deflation, 30, 201-202
- Delivery versus Payment (DVP), 120, 121-122
- Deposit insurance, 25, 27, 39, 43-44, 46-49, 50, 62, 87, 89,90, 97-99, 102, 104, 107, 108, 139
- Digital Encryption System, 163
- ECB, 28, 107-108, 178-181, 183-184, 209, 225 and the LOLR function 106-107, 108-109
- Ecofin, 110
- Economic capital, 60-62,64, 78
- European System of Central Banks (ESCB), 96, 106-107, 110
- Electronic communications network (ECN), 126
- Electronic money, 82, 91
- Electronic technology, 162, 164
- e-money, 91-92, 156-159
- European Central Bank (ECB) and public individual voting pattern announcements of its Committee, 180

- European Competition Policy Authority, 106
- European Financial Services Authority 110-111
- European Shadow Financial Regulatory Committee (ESFRC), 27
- Exchange rate intervention, 31
- Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), 74-75
- Federal Open Market Committee, 167
- Financial fragility,
- Financial Services Authority (FSA) 87
- Financial stability, 20
- fiscal policy, 143, 152, 173, 182-183
- Glass Steagall Act, 48
- Goal-independence, 20
- Gold standard, 19, 197
- Go-stop monetary policy 188, 189-190
- Gradualism versus pre-emptiveness in interest rate decisions, 226
- Independence of central banks and financial stability policies, 28
- Inflation bias, 175-177
- Inflation report, 202
- Inflation targets, 187, 196, 208
- Information-technology needs, 163
- Institutional separation, 21, 27-28, 35
- Instrument independence, 177
- Integrity of electronic payment networks, 156
- Internal models for assessing risk, 89
- Internal supervision, 41, 51
- Lags, see monetary transmission lags
- Lender of last resort (LOLR), 21, 23, 25-27, 31-32, 34-35, 96-98, 100-101, 103, 110 and supervision in EMU, 106-109, 110
- Liquidity model linearised, 239-242
- Liquidity risk, 66, 131-132
- Loss function difficulties with specification, 175, 206-208, 214-216, 220-221
- Lucas Supply Function. 175
- M1, see money supply
- Maastricht Treaty, 107, 178, 187 objective of, 178
- Market discipline, 21, 25, 27, 29, 32-33, 48, 51, 60-61, 72, 74, 77-78, 86-87, 109 defined, 32
- Maude Commission, see Shadow Monetary Policy Committee
- McCallum rule, 182
- Measuring inflation numerical versus non-numerical targets, 201
- Mergers and market power, 99
- Minimum capital, 66-68 defined, 60
- Monetary Policy Committee of the Bank of England (MPC), 173

- and individual voting pattern announcements, 180
- Monetary policy
 - defined, 21
 - targets of the Bank of England, the ECB and the Federal Reserve, 181-182
 - and inflation targeting versus price level targeting 181-182
 - and co-ordination with fiscal policy 182-184
- Monetary transmission lags, 206
- Money supply, 20, 92, 100, 229, 236, 238-239
 - role of, 20
 - decline and M1 velocity in the US, 231
- Monopolistic benefits in banking and incentives, 48
- Mutualisation, 127-128
- Neoclassical Synthesis model, 197, 199
- Netting
 - bilateral, 127-128
 - multilateral, 128-131
 - obligation, 127-128, 131
- Nonneutrality of money, 230, 240, 241, 243, 244
- Oil price shock, 198-199
- Optimal capital, 61
- Optimal control horizons, 206
- Predetermined price model, 230, 234, 238
- Price level targeting, 196
- Price level variability, 197
- Price stability, 20, 28, 30, 100-101, 168, 178-179, 181, 184, 187-188, 194, 195, 196, 198, 200-202, 206
- Principal agent, see Central Bank Independence
- Principal risk, 118-120
- Product market imperfections, 230
- Prompt corrective action (PCA), 25-27
- Prudential policies
 - internationalisation of, 28
 - centralisation of 12
- RAROC, 52
- Real Business Cycle Model, 199
- Real time gross settlement system, 148, 157, 161
- Regulatory capital, 59, 69, 70-71, 74, 77-78
- Regulatory design
 - optimal, 50-53
 - in transition economies, 53-56
 - in the western world, 56
- Replacement cost risk, 118, 130
- Reputation, 49
- Risk management, 54, 65, 67, 71, 116, 131
- Second Community Directive, 107
- Securities depository company, 123
- Security of electronic payment networks, 156
- Seignorage, 158-160
- Self-regulation, 32, 41
- Separation of powers in regulation, arguments for 101-102
- Settlement. 66, 92, 116-118, 120, 121, 122, 125-136, 139, 140, 148, 149, 150-152, 155-158, 160-161, 170
- Shadow Monetary Policy Committee, 173

- Short-term interest rates management, 190-191, 193-195, 200, 218
- Software performance, 163
- Solvency,
 - and LOLR, 108
- Stability and Growth Pact, 184
- Sticky price model, see predetermined price model
- Subordinated debt requirement, 87-88
- Supervision
 - in the EC, 106
- Supervision
 - discretionary and market discipline, 72-74
- Supply shocks, 181, 210, 216
- Systemic crises, 47, 97
- Taylor rule, 182, 194, 207, 208, 217, 222
- Transaction costs, 45, 148, 152
- Transparency
 - in central banks, 164-169
- Treasury Select Committee, 223
- Treaty of European Union, 96, 106
- Triple Data Encryption Algorithm (TDEA), 163
- Uniform Commercial Code, 121, 122
- VaR, 152, 184, 215
- Wicksellian instability, 217