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Capital requirements and deposit rate ceilings as regulatory instruments in a dynamic model of imperfect competition in banking

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GRIN Verlag Feb 2013, 2013. Taschenbuch. Book Condition: Neu. 210x148x2 mm. This item is printed on demand - Print on Demand Neuware - Essay from the year 2011 in the subject Business economics - Banking, Stock Exchanges, Insurance, Accounting, grade: 1,7, Martin Luther University (Finance and Banking), course: Seminar in Banking and Competiton , language: English, abstract: An increase in financial liberalization in the banking sector leads to a growth in competition that destroys the future profits of the banks and therefore their franchise value, - a present value of the future gains. The probability of good loans decreases and involves a moral hazard problem. It leads to bigger incentives for the banks to invest in the gamble assets. Competition has always been regarded to be an environment of extreme risk-taking and as a result, it takes a lot of measures to control the amount invested in the risky assets, and motivation of the prudent behavior of the banks. The most important instruments of regulation that will be taken into account in the paper are capital regulations and deposit rate ceilings in the context of dynam-ic model of imperfect competition according to Repullo (2004). In this model, banks can invest...



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