



**Aalto University**  
School of Economics

# Case 1: Financial Crisis of 2008

## **Task:**

1. Origin, Development and Escalation of the Crisis
2. Possible Causes of the Crisis
3. Role of Regulation of the Market and Its Possibilities to Prevent a Crisis

# Topics and Issues

## The Role of Regulation on the Markets

- Markets, Trading and Actors
- ... and Supervision of them - is it needed?

## "Prudential Supervision"

- Solvency of Financial Institutions

## Regulation of Financial Products

- Marketing Provisions etc.
  - Monitoring Complicated and Risky Products

# Regulation (if any)

- **EU regulation:**

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC Text with EEA relevance ( <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32013L0036:EN:NOT> )
    - **Solvency regulation of credit institutions and investment firms**
  - **DIRECTIVE 2004/39/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 21 April 2004**
    - on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (Markets in Financial Instruments Directive / MiFID)
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# Regulation (cont.)

- **Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001**
  - on the admission of securities to official stock exchange listing and on information to be published on those securities
- **Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003**
- on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC( "Prospectus directive")

# Regulation (cont.)

- Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards
  - information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements
  - "Europassport" for issuers
- CESR's (see slide set 4: 2 – 3) recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No 809/2004 (CESR /05-054b)

# Regulation (cont.)

- **National regulation :**

- Securities Markets Act (14.12.2012 / 746; only in Finnish, so use:)
- Repeals: Former SMA (495/1989)
- Ch. 3 – 5 on disclosure duties
- Marketing and issuance of securities, duty of disclosure (SMA ch. 1 sect. 2 – 4)
- Act on Investment Services (14.12.2012 / 747; only in Finnish, so use:)
- Repeals: Act on Investment Service Companies (922/2007)
- FSA standard 5.2a on Securities offerings and listing

# Other Material and Further Reading

- **Wikipedia Article: Wall Street and the Financial Crisis: Anatomy of a Financial Collapse**  
([http://en.wikipedia.org/wiki/Wall\\_Street\\_and\\_the\\_Financial\\_Crisis: Anatomy of a Financial Collapse#Investment Bank Abuses: Case Study of Goldman Sachs and Deutsche Bank](http://en.wikipedia.org/wiki/Wall_Street_and_the_Financial_Crisis:_Anatomy_of_a_Financial_Collapse#Investment_Bank_Abuses:_Case_Study_of_Goldman_Sachs_and_Deutsche_Bank) )
- **Zufferey (1997; see exam requirements)**
- **Please make use of your knowledge of Finance**