

ABSTRACT

Increased Banking Supervisory Regulations in the European Union – the case of German Banking

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Almost 15 years have passed since the financial market crisis, which peaked with the bankruptcy of Lehman Brothers in 2008. During this time, regulators and supervisory authorities in the European Union (EU) have published a large number of new regulations for banks and subsequently passed laws. Adjustments are still being made to the existing regulatory framework on an ongoing basis to incorporate new insights. Consequently, even after more than a decade of intensive readjustments and new regulations, the flood of regulations is not abating. The primary goal of the regulators is to continuously improve financial market stability. In order to prevent future crises less likely from happening or, at best, to avoid them completely, the primary goal is to identify threats to the financial market at an early stage. Against this background, the reform of European banking supervision is also being driven forward. A single supervisory mechanism has been created to which a large part of the previous national competencies have been transferred for the purpose of harmonizing banking regulation.

This dissertation critically assesses the regulatory measures implemented in the course of dealing with the financial crisis. In addition, it examines their impact on the German banking market on the basis of 30 interviews with experts. Existing literature addresses the situation of credit institutions far too rarely, for which the new rules not only mean an enormous additional bureaucratic burden but are also accompanied by other requirements. These include the need for organizational adjustments and shifts in the balance sheet structure, which are also reflected in the income statement. Meeting the new regulatory requirements represents an enormous financial effort for banks in the EU. Essentially, this appears counterproductive to the actual goal of increased financial

market stability. It is therefore not surprising that no conclusions on greater financial market stability can be drawn from the empirical studies. It also remains doubtful whether the measures implemented in the past are really suitable for identifying threats to financial stability in due time and thus preventing future crises. Therefore, the overall conclusion remains that the costs of the newly introduced regulatory requirements, at least in their current form, exceed the benefits they generate for banks and financial markets in the EU.

Keywords: EU banking regulation, financial market stability, Basel committee, supervisory requirements, financial crisis