

Good why most of the
banking institution
over-relied on
government during
major f...

[Economics](#), [Money](#)



Management

IMF gives a warning that much efforts is needed by banks to lower their risks. The article is talks about the alerts made by that the International Monetary Fund for banks to come up with solutions to their own problems. It is said that, " when you fail to plan, you plan to fail." The article's author is Douwe Miedema and the source is Bloomberg BusinessWeek newspaper. In the paper below, the crisis of bankruptcy in big banks is discussed and their over dependency towards the government. The paper goes further to discuss the improper handling of taxpayers' money when the government tries to bail out the big banks. In the last section, the G20 meeting is discussed where the procedures on how to deal with similar crises will be dealt with in the future.

According to an International Monetary Fund executive, " The problem with the biggest banks is that they expect the government to rescue them in times of difficulties. This is very risky as it causes a menace to the Financial System of the world." The article goes on to refer to bank officials as bewildering due to the scattered assets and liabilities. In 2008, the Investment Bank Lehman Brothers was in a state of bankruptcy. This earmarked a scenario where the universe experienced a credit crisis. Since then, there have been reforms that are aimed at avoiding such a situation to happen again.

When the global financial crisis took place, the world's biggest banks were helped by their governments to come out of the problem. They were given billions to help bail them out; money that came direct from taxpayers. Vinal says that, "" The not-so-good news is that, despite these efforts, implicit

<https://assignbuster.com/good-why-most-of-the-banking-institution-over-relied-on-government-during-major-financial-article-review-example/>

subsidies to these systemically important financial institutions remain too large." This made the IMF to conduct a study on April to research more about this.

According to the article, it is a very shameful when the most prestigious banks fails to deliver their targets. This led to a decision that required a convention of bank regulators so that they could chat the way forward on dealing with the financial reforms that will be applied across the globe. The convention that was to be held will include 20 members namely: the United States, Argentina, South Africa, japan, Italy, the United Kingdom, Brazil, Indonesia, Russia, china, turkey, Mexico, republic of Korea, Turkey, India, Australia, Germany, Canada, France , Saudi Arabia, and the European Union. The meeting led to the formulation of Basel III bank capital rules. The regulations of the statutory will give a permit to the banks to only borrow fewer funds so that they can stop the dependencies to the government. This intended to ensure that the banks had the capacity to sort out their problems alone.

The banks were also advised to lay out strategic plans that will give them an edge over other competitors in doing business. The U. S had to put in place resolution authorities that aim at offering massive protection to the wider financial system. This will help reduce the misuse of taxpayer's money in the process of bailing out.

Questions

What was the solution of the problem faced by the banks that relies on government during financial crisis, according to the convention of bank regulators meeting?

Answer

The government concerned could provide the challenged bank with billions of money to bail them out of crises. These billions were easily acquired from the taxpayers.

Answer

Banks were required to lay out strategic plans that will give them an edge over other competitors in doing business. The U. S had to put in place resolution authorities that aim at offering massive protection to the wider financial system. This will help reduce the misuse of taxpayer's money in the process of bailing out.

References

Douwe Miedema (2014). IMF warns more work is needed to tackle big bank risk| Reuters. Retrieved from <http://www.reuters.com/article/2014/01/23/us-imf-banks-warning-idUSBREA0M1KF20140123>

International Monetary Fund. (2000). Research activities of the International Monetary Fund, January 1991-December 1999. Washington, D. C:

International Monetary Fund

Grünig, R., & Kühn, R. (2005). Process-based strategic planning. Berlin: Springer.

<https://assignbuster.com/good-why-most-of-the-banking-institution-over-relied-on-government-during-major-financial-article-review-example/>