The Future of the Banking Supervision in Europe

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Abstract. *The current financial crisis marked the end of a period characterized by a profit rush and an ascending trend of taking risks. In order to diminish its effects, central banks and governments made a prompt and joint intervention which resulted in urgent measures to re-establish the trust in the international financial system.*

However, the deficiencies in the risk management (associated with other weaknesses in the functioning of the financial markets) call for a profound reform of the financial regulatory and supervisory framework. The success of this process aiming the improvement of the regulatory structure and, especially, of the components which encountered major dysfunctions, cannot be conceived without revising the entire supervision architecture at both regional and international level, so that it can provide the revitalization, consolidation and effectiveness of the international financial system as a whole.

Keywords: financial crisis; banking supervision; Lamfalussy “Architecture”; De Larosiere Report; efficiency; effective.

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JEL Codes: G21, G28.
REL Codes: 11B, 11C.

Introduction

What in August 2007 seemed to be an issue of the US "*sub-prime*" mortgage market, subsequently turned into global financial crisis, still ongoing.

This long period, favorable from an economic and financial point of view, determined the increase of the risks to be assumed by both the borrowers and investors.

As a result, the institutions reacted by expanding the market for the securitization of the credit risk and by aggressive extending of the "*originate-to-distribute*" model. The system became more and more dependent on the guarantee standards of the originators and on the rating agencies' efficiency. The losses accumulated on the US sub-prime mortgage market, sustained by structured and complex securitizations, lead to the rapid spread of the turbulences within the entire financial system. The giants of the international financial world found themselves powerless facing such a crisis, appreciated by specialists as being "*without precedent since the [...] second world war*"(1).

The "*wholesale*" capital markets began to register serious turmoil, threatening the robustness of the financial institutions and their capacity to face the current shocks, but also the trust of the population in the financial system as a whole, a reaction significantly amplified by the collapse of the Lehman Brothers, in September 2008.

The consequences of the financial crisis continue to make their presence felt, therefore, almost two years after it began, the sizes of the generated losses still remains unknown. Moreover, the estimations of the banks related to their exposures in depreciated assets are continuously increasing.

In the context of these certainties and of the measures adopted in order to mitigate the effects of the current international financial crisis, the problem of the future of the banking supervision and of the way it has to provide a good functioning, at a global level, of the financial markets, came again to the attention of the public authorities with attributions of issuing regulations, best practices and rules in the fields with a significant influence in achieving this objective.

In order to be able to identify *possible solutions regarding the future of the banking supervision in EU,* in our opinion it is necessary to answer three questions as follows:

1. Which were the most important weaknesses of the financial systems brought to surface by the global financial crisis?

2. How did the involved factors react in order to respond to these provocations?

3. Are there lessons to learn from this experience which generated major dysfunctions of the global financial systems and what measures are foreseen?

1. The fundamental weaknesses of the financial systems

In a very concise presentation, the following causes determined the beginning and, subsequently, the spread of the global financial crisis:

▪ significant lacks in the *regulatory framework*, which determined the incapacity of this system to capture the concentration risk and the weaknesses of the incentives attached to the expansion of the financial innovations;

▪ disregarding of the true significance of the systemic risk and of the mortgage markets in terms of the size of the *macroeconomic policies;*

▪ the fragmented structure of the *global architecture of supervision,* unable to detect the increasing vulnerabilities of the financial systems and the interdependency between their components.

The current financial crisis presents, in our opinion, on certain dimensions(2), some similarities with the previous financial crisis, such as the brusque adjustment of the imbalances registered in the previous exercises resulting from the intense increase of the lending activity which supplied the increase of the capital and, at the same time, the price of the real estate assets. Although, this crisis is radically different from the previous ones especially by the massive sub-evaluation of the risk and the explosive lending of the sub-prime mortgage debtors (without scoring). This trend resulted from a combination of various factors.

Firstly, it was noted that, before the beginning of the crisis, the rating agencies assumed losses coming from the sub-prime area, which were estimated as reduced in an unrealistic way, without raising the necessity of revising them, despite some signals of warning generated by the excessively rapid increase of the sub-prime market. The very low rate of the losses registered in the early period of 2000-2001, of the mortgage executions on the sub-prime market served as a benchmark for the evaluation of the assets and their related risks. Also, the limits imposed by the regulatory framework on the profit distribution scheme by the management of the companies, with repercussions on the excessive taking up of risks by the institutional investors, are among the specific causes of the current crisis. Moreover, the important role of the credit rating agencies in the methodology of determining the capital requirements according with Basel II Capital Accord, also acted as a stimulus for their activity.

Secondly, the intensity of the savings process encouraged the taking up of increasing risks by providing the resources necessary for investments. The savings accrued in the emerging states were also a source of lending for the financial institutions in USA.

Thirdly, the deficiencies of the supervisory and regulatory framework amplified the phenomenon of the economic increase followed by the fall off. The regulations applicable to insurance companies, mutual funds and pensions, as well as banks, limited their possibility to hold claims evaluated as having a low quality, in conformity with the requirements of the Basel I and II Capital Accord. Moreover, according with the specific rules in force, the off-balance sheet operations of the commercial banks, generated by their special vehicles, and those of the investment banks were not included in the supervision area, which allowed an unrestrained increase of the borrowed capital in the total capital. The effect of this phenomenon was amplified by the increase of the importance of institutions (e.g. "*hedge funds*", "*private equity firms*") which relied intensively on borrowings while the applicable rules were inadequate.

We should also mention the lack of transparency of the way the "*originate-and-distribute*" risk is transferred. Last, but not least, we have to mention that, in the traditional channels of propagating the crisis, such as asymmetry of information, could also find specific aspects which make the current financial crisis different from the past ones. In this respect we have to mention firstly the complexity of the structured mortgage products.

Also, among the new factors affecting the rapid spread of the crisis within the financial systems of other states is also the capacity and wish of the financial institutions to strengthen the share capital in order to be able to face the consequences of the losses on the sub-prime market.

Another specific aspect related to the channels of spreading the current financial crisis is the globalization process characterized by the interdependency of the integrated markets which clearly contributed to the rapid spread of the contamination process.

In other words, the current global financial crisis is based both on traditional causes which also generated crisis in the past, and non-traditional specific aspects.

2. Reactions of the EU authorities to the impact of the crisis on the financial markets

As in the case of previous crisis, the measures taken for diminishing the effects of the current financial crisis resulted in a strategy in two steps. In the first step, several states adopted a gradual approach, combining the instruments for monetary policy intervention with actions aiming the improvement of liquidity, ad-hoc interventions or punctual actions for saving certain financial institutions with difficulties. Since these initiatives were not able to re-establish the trust in the financial system, certain comprehensive rescue packages for the financial system were implemented in the second step of the strategy.

Therefore, the solutions proposed in the context of the current solvency financial crisis, as in the previous crisis, consisted in combining three main elements: claims' guarantee; recapitalization of the institutions with difficulties, but solvent and separation of toxic assets.

The national plans of prevailing the effects of the crisis contributed to the re-establishment of the financial market's stability and the purpose of the measures adopted until present was to liquidize the inter-bank markets and reduce the capital deficit. However, the financial markets are not back to a normal status yet. In this respect, it is necessary to adopt further concerted measures at European level, to involve the intervention of the governments of the Member States, the central banks and European Commission.

More precisely, in 2008 and 2009, in reply to the financial turbulences, some measures on a short term were taken, but also on a long term consisting in revision of the Lamfalussy „Architecture” and consolidation of the arrangements related to financial stability in EU.

Thus, in order to respond to the second question, respectively *how did the involved factors react in order to overcome the challenges induced by the current financial crisis,* we appreciate that it is necessary a short review of these initiatives:

a. Adoption in October 2008, of a *concerted action plan*, which included temporary measures such as:

- Facilitation, by various means, of the financing of the banks with difficulties;
- Injection of additional capital in the financial institutions;
- Recapitalization of the banks with problems;
- Increase of the minimum level of the guaranteed deposits.

At the same time, this plan instituted the common principles that central banks and governs of the EU Member States will promote in anti-crisis packages, so that those adopted at national level do not induce adverse effects in the functioning of the Single Market.

We have to stress out that as long as the ad-hoc interventions did not manage to re-establish the trust in the financial markets, still marked by a multipart process of depreciation, it is necessary the adoption of certain comprehensive rescue packages of measures including actions to re-launch the inter-bank lending activity and to sustain the capitalization of banks. These packages including the key recommendations, presented in Table 1, are less expensive and more efficient than a gradual approach.

Selected recommendations of the rescue packages dedicated to stabilize the banking system

Table 1

Recommendation	Objective: Improve inter-bank lending	Objective: Recapitalize banks
Inject capital (often through preference shares)		❖
Guarantee bank loans (for a limited time and against a fee)	❖	
Temporary bank nationalization		❖
Provide harmonized insurance for bank deposits		
Facilitate the creation of long-term liquidity pools to purchase assets (by issuing 10-year government bonds)	❖	
Absorb significant amounts of toxic assets	❖	❖
Create a joint recapitalization scheme		❖
Set up common rules to recapitalize banks		❖
Coordinated monetary expansion across the globe	❖	❖

Source: Baldwin & Eichengreen (2008).

The pallet of the intervention schemes[(3)] adopted by the OECD member states, as a reply to the financial crisis, from the beginning of September 2008 and up to the present day, though, much wider, as it can be observed from Table 3 presented in the annex.

The dimension of the fiscal costs associated with the rescue measures depends decisively on the implementation details. Empirical studies reveal that the adopted measures, such as the ones regarding the liquidity support, the granting of guarantees and the exoneration from the prudential requirements are costly and do not necessarily lead to the acceleration of the economic recovery speed (Bordo *et al.,* 2001, Honohan, Klingebiel, 2003, Claessens et al., 2005, Laeven, Valencia, 2008).

Thus, according to the European Commission's representatives[(4)], guarantees were issued for banks, in the total amount of EUR 2.5 billion and capital was injected for the consolidation of their balance, summarizing EUR 300 billion. Following these approaches, from the beginning of 2009, in many OECD member states, supplementary measures were announced, which are to be adopted in other states as well and thus, the fiscal costs will grow as opposed to the sums already allocated for this purpose.

The situation of the gross fiscal costs of the rescue packages adopted for the surmounting of the crisis during 2008 is presented in Table 2.

Gross fiscal costs of the rescue packages for the counteracting of the crisis effects, adopted in 2008

Table 2

Country	Capital injection	Guarantees	Total of measures announced*	Total (% of GDP)
United States	USD 250 billion	-	USD 700 billion	5.1
Germany	EUR 70 billion	EUR 400 billion	EUR 480 billion	19.8
France	EUR 40 billion	EUR 320 billion	EUR 360 billion	19.0
Italy	-	-	EUR 40 billion	2.6
United Kingdom	£ 50 billion	£ 250 billion	£ 400 billion	28.6
Canada	-	-	CAD 75 billion	4.8
Austria	EUR 15 billion	EUR 85 billion	EUR 100 billion	36.9
Denmark	-	-	Kr 35 billion	2.1
Greece	EUR 5 billion	EUR 15 billion	EUR 28 billion	11.0
Ireland	-	EUR 450 billion	EUR 450 billion	235.7
Hungary	USD 3 billion	-	-	-
Korea	-	USD 100 billion	USD 100 billion	-
Netherlands	-	EUR 200 billion	EUR 200 billion	-
Portugal	-	EUR 20 billion	EUR 20 billion	6.1
Sweden	SEK 15 billion	SEK 1500 billion	SEK 1515 billion	50.5
Switzerland	-	-	SFR 60 billion	-
Spain	Initially EUR 30 billion, rising to EUR 50 billion	EUR 100 billion	EUR 150 billion	14.3

* This column (the total) shows in some case the sum of measures of which a cost estimate was available up to December 2008.

a. a better *coordination of the fiscal policies* of the member states, in order to counteract the recession, by constructing an *economic recovery plan*[(5)], founded on two pillars and a fundamental principle. The first of the two pillars targeted a liquidity injection in the economy, which was meant to launch the demand and to stimulate the trust, whereas the second pillar is based on the necessity to act on a short term for the revival of Europe's competitiveness on a long term, both pillars being sustained by the principle of solidarity and social equity. According to the statistics cited above, for the re-launching of the demand, up to the present, the member states have injected in their economies, incentive fiscal facilities of EUR 400 billion, representing 3.3% of EU's GDP.

b. adopting of the *European Commission's Working and Legislative Programme for 2009*, which included two strategic initiatives. The first concerns a rescue package regarding the reform of the financial sector and the establishing the future of the supervision architecture in the EU. Related to the second initiative, in the reviewing process of the *Lamfalussy "Architecture"*, one must take into account the enhancing of the component regarding the cooperation in the supervisory field and the convergence of the practices used.

3. Designing the future architecture of the banking supervision, precondition of assuring financial stability at EU level

Regarding the answer to the third question, we must highlight the fact that there are many lessons from which we must learn, starting with the necessity to deepen the risk management practices, continuing with the enhancement of the transparency and the reviewing of the assessment practices as a solution for the reestablishing of the trust in the financial markets, or with the reviewing of the regulation regarding the capital adequacy. To these lessons, one must add another of high importance, from the perspective of the theme approached in the present study, respectively the one regarding the necessity of enhancing the cooperation and the exchange of information, essential precondition of yielding the synergies between the macro-prudential approach and the micro-prudential approach and of creating a more efficient supervision framework for the identification and monitoring of the risks.

By reiterating the position adopted in 2001, the Central European Bank still claims[(6)] that regardless of the supervision models existent in different states, respectively the sector model, the model on objectives or the one of an unique authority, depending on the circumstances, they can function perfectly or they can fail, but the most important aspect remains that of the existence of a tight collaboration and exchange of information between the central bank and the supervision function.

This reality integrates the conclusions resulted from the reviewing of the Lamfalussy process regarding the new formula which will define the prudential supervision in the EU, given the lessons learnt as a result of the present financial crisis.

Therefore, the successful implementation of the rescue packages meant to ensure the reconstruction of the economies and the reestablishment of the trust in the financial systems is, to a great extent, conditioned by the reconsideration of the present supervisory structure.

One must mention that, although the way the financial sector from the EU was supervised was not the main cause of the crisis, there were still identified a series of significant weaknesses of the supervision, which target both of its dimensions, respectively the macro and micro prudential supervision. To that effect, in our opinion, in the establishing of the *model of the future architecture of the banking supervision* at EU level, the following should be taken into account:

- to be harmonized with the current initiatives, started globally;
- to not only cover the specificities and the common issues of the euro-zone, but also those of the entire EU;
- to be consensual, based on the vision of the member states, the financial institutions and its final *"users"*;
- to be based on the objectives followed, the finality in the regulation act and not on the processes or the instrumentality;
- to admit that the regulation and supervision of the financial services represent a global concern and not only an European one;
- to add value to the existent initiatives such as: the cooperation and convergence in the supervisory field and in the setting up of the colleges of supervisors;
- to rationalize and/or reform the existent relevant EU bodies, where is possible, without setting up new legal entities.

Admitting the importance of harmonizing the supervisory system with the evolutions recorded at the level of the Single Market and its specificity, as well as an adequate equipage of the system in order for it to be capable of detecting the risks related to the financial stability in the EU, the European Commission set up, in November 2008, the *High Level Expert Group on Financial Supervision*, chaired by Jacques de Larosiere. The central objective of its mandate targeted the formulating of recommendations to the European Commission regarding the enhancement of the supervisory arrangements at EU level, for all the components of the financial sector, in order to realize a more efficient and integrated European supervisory system.

To this effect, in the d*e Larosiere Group* Report(7) a wide analysis of the causes of the present financial crisis is presented and, at the same time, as a corollary of the measurements taken, the changes recommended to be adopted for the improvement of the regulatory framework from the EU.

On the basis of the identification of the most appropriate solution, in order to achieve these objectives, is the wide analysis of the most important weaknesses with regard to the prudential supervision, which can be synthesized as follows:

- inadequate macro-prudential supervision;
- inefficient early warning mechanisms;
- problems related to the quality of the national supervisory authorities' activity in relation with certain credit institutions;

- weaknesses in the supervisory practices at cross-border level;
- insufficient cooperation and lack of sincerity between the supervisors;
- differences regarding the statutory powers conferred to the national supervisory authorities;
- lack of financial resources of the level 3 committees;
- lack of means available to the supervisors for the adopting of common decisions.

At the same time, for the delineation of the most appropriate solutions referring to the proposals for the organization of the supervision, the tendencies recorded at the Single Market's level were analyzed as well, given the fact that the final objective of the new supervisory architecture is to ensure the financial stability in the EU, in normal conditions as well as in crisis situations.

Thus, the EU specialists have designed a system built on the preconditions of accomplishing a structural reform of the present supervisory framework. The proposed reform targets two fields, respectively:

- macro-prudential supervision;
- micro-prudential supervision.

Regarding the *macro-prudential supervision*, the setting up of a new body is proposed, bearing the name of "the European Systemic Risk Council" (ESRC). This body will be founded under the auspices and with the logistic support of the European Central Bank (ECB). This body *will collect and analyze the information relevant for the financial stability*, correspondent to the macro-economic conditions and the macro-prudential evolutions from all the financial sectors in the EU and will *issue risk related warnings*, while regularly exchanging information with the micro-prudential supervisors. If the risks are of serious concern, ESRC will inform the Economic and Financial Committee and will co-act with the European Commission in order to identify the adequate solutions. Globally, ESRC will have a tight collaboration with the International Monetary Fund (IMF), the Financial Stability Forum (FSF) and G20.

In the field of *micro-prudential supervision*, the EU specialists consider as being necessary the setting up of an European System of Financial Supervisors (ESFS), responsible with the supervision of the financial institutions. ESFS will result from the transformation of level 3 committees (CEBS, CESR, CEIOPS) in three new European authorities, respectively: the *European Banking Authority*, the *European Securities Authority* and the *European Insurance Authority*. Thus, ESFS's role will be to coordinate the application of the standards in the supervisory field and to guarantee the tight cooperation between the national authorities with supervisory prerogatives.

The three authorities will have a considerably enlarged role as opposed to the one held by the present level 3 committees. Thus, the national supervisory authorities will continue to be responsible with the daily monitoring of the financial institutions within their own jurisdiction, while the new authorities will have *supplementary* attributions as follows:

▪ *mandatory* mediation powers between the national supervisors;

▪ adopting of *mandatory* supervisory standards;

▪ adopting of mandatory technical decisions applicable to the national institutions;

▪ monitoring and coordinating the supervisory colleges;

▪ licensing and supervision of specific institutions at EU scale (e.g.: The credit risk rating agencies);

▪ *mandatory* cooperation with ESRC, in order to ensure an adequate macro-prudential supervision;

▪ coordinator role in crisis situations.

The process which will lead to the setting up of ESFS contains two stages:

- *Stage 1 (2009 – 2010)* will be a preparatory stage, dedicated mostly to: the creation of the conditions for the transformation of the level 3 committees into European authorities; the improvement of the prudential supervision quality; the harmonization of the rules, statutory powers and of the sanctions; the immediate enhancement of the level 3 committees and of the supervisory colleges; the crisis and the "problem" banks regime management.

- *Stage 2 (2011 – 2012),* dedicated to the actual setting up of ESFS

The EU specialists have recommended that after three years of functioning of the ESFS, a detailed analysis should be done in order to establish if supplementary reforms would be necessary, consisting in making at least two amendments. *The first* would target the orientation towards a system based on two authorities alone, respectively: one, responsible for the prudential banking issues and the insurance field, as well as for problems related to the financial stability, whereas the second authority will be responsible for the supervision of the business conduct for all the three sectors. *The second* will allow the granting of increased powers to the referred to authorities in the field of supervision.

Regarding the way of implementing in practice the new supervisory architecture at EU level, it must be highlighted that it will be achieved based on a detailed implementation plan which will be finalized by the end of the year 2009, by a high level group, which will function under the authority of the European Commission.

A subject of high importance, in the context of this project's launching, is the position adopted by the main EU's structures related to it, as well as the position adopted by the member states.

The group's report was received favorably by the *European Commission*, its main opinions regarding the de Larosiere Report being included in its Communication[(8)] from 04 March 2009 for the Spring European Council. *The European Central Bank's position* was not yet made public officially by it, although there are different standings expressed by the high ranged ECB officials, who, in a brief description, appreciate the necessity of moving to a new supervisory system at the EU level.

Regarding the *European Council's position*, it too acknowledges the necessity of improving the regulation and supervision of the financial institutions in the EU, the de Larosiere Report being a broad action basis.

Referring to the *positions of the member states*, expressed in the context of the meeting from 13 March 2009, these were in favor of creating ESFS as well, although they formulated a series of observations. With regard to the micro-prudential supervision, the member states have appreciated the report as being a good starting point for the implementation of the new supervisory architecture.

Conclusions

In our opinion, in order for the new macro and micro-prudential supervisory architecture to achieve its objectives, respectively the early identification of the components that could generate crisis situations, it is necessary that the warnings regarding the economic policy risk and recommendations to be transformed into concrete and factual actions.

Regarding the opportunity to reconsider the present architecture at the EU level, this can not be questioned, for it represents a priority in the present and, also, an essential condition for ensuring a growth of the quality and efficiency of the financial supervision in its overview. This opinion is founded on the benefits which will be brought by the new formula of the supervisory architecture at the EU level, proposed through the de Larosiere Report.

Therefore, the proposal of setting up a pan-European authority in the EU in order to identify the systemic risks and to alert the supervisory authorities, as well as to grant increased powers to the three level 3 committees, including in regard to the micro-prudential supervision, represents an efficient modality of removing the failures related to the financial supervisory activity, identified in the context of the present financial crisis.

As such, we appreciate that the hasting of the implementation calendar of this project[9], along with its two stages, is highly necessary as well, through the new supervisory structures that will be established while assuring the harmonization of the rules applied in the exercising of the mandate by the national supervisory authorities, in parallel with the growth of the uniformity regarding the powers attributed to the national supervisors and the degree of coherence of the sanctions which can by applied by these, as well as the completing of the pallet of attributions that will be given to the three newly founded authorities.

To the considerations presented above, which served as a base for supporting this opinion, one can add the improvement of the cross-boarder financial groups' supervision, by *equipping the three new authorities* with supplementary *functions*, from which being more important the *assuring*:

- *of an unique set of harmonized rules*, including the mandatory technical standards in specific fields and interpretative guidelines which will be applied by the national supervisory authorities, especially in the financial institutions' authorization and supervision process, as well as *a culture and common and coherent supervisory* *practices* and *a coordinated reaction in crisis situations*;

▪ *a consistent application of the new rules*, as they have a mediator role in the disputes between the national supervisory authorities and a role in the activation of the mechanism designed to correct their deviations from the uniform community rules;

Supplementary to these functions, among the prerogatives which will be attributed to the new authorities, one can also find the *collecting of micro-prudential information* which will be used within the supervisory colleges of the cross-boarder financial groups as well.

Regarding the legal framework necessary for the implementation of the new supervisory architecture, we mention that, in accordance with the Court of Justice's Decision[(10)], art. 95 from the EC Treaty, it can represent the legal basis for the setting up of "*a Community body responsible for contributing to the implementation of a process of harmonization of the legislation of the internal market*".

Notes

(1) According to European Central Bank, "The European Regulatory and Supervisory Framework: The views of the ECB", Speech delivered by Jean-Claude Trichet, President of the ECB at the 2008 EUROFI Conference, Nice, 11 September, 2008, p.1.

(2) IMF, Research, Monetary and Capital Markets, and Strategy, Policy and review Departments, „Initial Lessons of the Crisis", February 6, 2009.

(3) See Davide Furceri, Annabelle Mourougane, „Financial Crisis:Past Lessonsand Plicies Implications", OECD - ECO/WKP No.668/(2009)9;

(4) See European Commissioner for Economic and Monetary Policy- Joaquin Almunia, „The crisis and beyond: what priorities for European Financial Markets?", 2nd Financial Centre Meeting, Frankfurt 5 March, 2009.

(5) According to Communication from the Commission to the European Council, „A European Economic Recovery Plan", Brussels, 26 November, 2008,COM (2008), 800, final.

(6) In accordance with IBN National Conference „Beyond financial turmoil", Speach by Hose Manuel Gonzales-Paramo, Member of Executive Board of ECB, Dublin, 22 October, 2008.

(7) The High-Level Group on Financial Supervision in the EU (de Larosiere Group) published the report on the accomplished target imposed by European Comission on February 25, 2009.

(8) See Communication for the Spring European Coucil, „Driving European Recovery“, EC, COM (2009) 114 final, March 2009.

(9) According to Communication from the European Commission (COM -2009- 252 final)

(10) See EC Justice Court's Decision, C – 217/04, pt.44

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Overview of main financial crisis responses in OECD countries (September 2008-January 2009)

Table 3

	Traditional monetary instruments				Crisis resolution instruments				
Country	**Liquidity injections**	**Interest rate changes**	**Increased guarantee of deposits**	**Guarantees for bank loans or debt**	**Funds to purchase commercial papers**	**Purchase mortgage bonds**	**Ban or restrict short-selling**	**Capital injections**	**Option to purchase toxic assets**
United States	x	Cut	x	x	x	x	x	x	x
Japan	x	Cut		x	x		x		
Euro area	x	Cut	x						
Germany			x	x			x	x	x
France			Already high	x			x	x	
Italy			x				x	x	
United Kingdom	x	Cut	x	x	x	x	x	x	
Canada	x	Cut		x		x	x		
Australia	x	Cut	x	x		x	x		
Austria			x	x			x	x	
Belgium			x	x			x	x	
Czech Republic		Cut							
Denmark	x	Increase/cut	x	x		x	x		
Finland			x	x			x		
Greece			x	x				x	
Hungary	x	Increase	x	x				x	
Iceland		Increase	x					x	
Ireland			x	x				x	
Korea	x	Cut		x					
Luxembourg			x	x					
Netherlands			x	x			x	x	
New Zealand	x	Cut	x	x					
Norway	x	Cut	Already high	x					
Slovak Republic		Cut	x						
Poland	x	Cut	x						
Portugal			x	x				x	
Sweden	x	Cut	x	x		x		x	
Spain			x	x		x	x		
Mexico	x	Cut		x					
Switzerland	x	Cut	x		x			(x)	x
Turkey	x	Cut							

Source: OECD.