

Introduction to Banking and Finance Law

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Graduate-level overview – concise, organized, and ready for study

1. Core Objectives of Banking & Finance Law

Objective	Description
Regulatory Stability	Ensure the financial system remains sound, transparent, and resilient to crises.
Consumer Protection	Safeguard depositors, borrowers, and investors from unfair practices.
Market Integrity	Prevent fraud, market manipulation, and anti-competitive behavior.
Facilitate Credit Flow	Provide a legal framework that encourages lending and investment.
International Coordination	Align domestic rules with cross-border standards (e.g., Basel, IOSCO).

2. Key Legal Sources

Source	Scope	Typical Content
Statutes & Acts	National legislation (e.g., Banking Act, Financial Services and Markets Act)	Licensing, capital requirements, enforcement powers.
Regulations & Rules	Issued by supervisory agencies (central banks, securities commissions)	Detailed prudential standards, reporting obligations.
Case Law	Judicial decisions interpreting statutes/regulations	Precedents on liability, contractual interpretation, regulatory enforcement.
International Standards	Basel Accords, FATF Recommendations, EU Directives (e.g., CRD IV)	Capital adequacy, anti-money laundering (AML), cross-border cooperation.
Self-Regulatory Guidelines	Industry bodies (e.g., banking associations)	Best-practice codes, conduct standards.

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3. Institutional Landscape

Institution	Primary Functions	Jurisdiction
Central Bank	Monetary policy, lender of last resort, bank supervision	National
Financial Conduct Authority / Securities Regulator	Market conduct, consumer protection, licensing of non-bank financial entities	National
Deposit Insurance Agency	Protects depositors up to a statutory limit	National
International Bodies	Standard-setting, cross-border supervision	Global (e.g., Basel Committee, IOSCO)

4. Fundamental Concepts

4.1. Banking Licenses & Supervision

- **Licensing criteria** – minimum capital, fit and proper directors, business plan.
- **Ongoing supervision** – periodic reporting, onsite examinations, stress testing.

4.2. Capital Adequacy

- **Risk-Weighted Assets (RWA)** – assets weighted by credit, market, operational risk.
- **Capital ratios** – Common Equity Tier 1 (CET1), Tier 1, Total Capital (e.g., 8% CET1 minimum under Basel III).

4.3. Liquidity Management

- **Liquidity Coverage Ratio (LCR)** – high-quality liquid assets ≥ 100% of net cash outflows (30-day horizon).
- **Net Stable Funding Ratio (NSFR)** – stable funding ≥ required stable funding over a one-year horizon.

4.4. Deposit Protection

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- Statutory insurance limits (e.g., \$250,000 per depositor per institution in many jurisdictions).
- Funding of the insurance scheme – premiums levied on member banks.

4.5. Credit and Lending Regulations

- **Usury caps** – maximum permissible interest rates.
- **Truth in Lending disclosures** – APR, fees, repayment schedule.
- **Consumer credit codes** – cooling-off periods, right of rescission.

4.6. **