

Taxing Banks

The financial crisis of 2008 left no doubt as to the need for improving bank regulation. Some proposed improvements have materialized, most notably those contained in Basel III (The Third Basel Accord, a global, voluntary regulatory framework on bank capital adequacy, stress testing and market liquidity risk), but the process is still on-going.

Several new financial sector taxes, including bank levies, Financial Transaction Taxes and Financial Activities Taxes, have been enacted both at a domestic and a supra-national level. Whilst the debates on the latter two taxes are still underway, new bank levies have been introduced in the UK, Germany, France and 7 other EU member states. Other countries are expected to adopt similar levies in the foreseeable future.

The purposes of these levies vary, but they principally include encouraging banks to hold more Tier 1 capital, i.e. the core measure of a bank's financial strength from a regulator's point of view, constituting core capital, which consists most notably of common stock and disclosed reserves (or retained earnings), but may also comprise non-redeemable non-cumulative preferred stock. Other purposes include: addressing liquidity risk and making banks pay a contribution reflecting the risk they pose. They are thus partly intended to achieve the same goals of regulatory reforms currently in progress.

The use of taxes to achieve these regulatory goals is a new phenomenon and as such requires careful consideration. To begin with, we ought to consider which of the two, regulation or tax, is more appropriate to achieve these goals. More practically, as the two will be in place concurrently, we need to consider the interaction between them.

Our understanding of the issues arising from the new financial sector taxes and, in particular, their interaction with regulation is still at an initial stage. Ideally, an exploration of these issues would require expertise in both bank regulation and tax.

Adapted from www.sbs.ox.ac.uk

Ex. 1 Find the words or expressions in the text which mean the following:

- 1) sth has become reality: _____
- 2) not forced: _____
- 3) a mandatory fee: _____
- 4) to make sth the law: _____
- 5) sth differs: _____
- 6) the most important indicator of sth: _____
- 7) in this way: _____
- 8) not entirely: _____
- 9) thinking about sth deeply: _____
- 10) suitable / right: _____
- 11) to result from sth: _____
- 12) specialist knowledge: _____

Ex. 2 Match the expressions from the two columns into logical collocations:

- | | |
|------------------------|--------------------|
| 1) to leave no doubt | process |
| 2) a regulatory | underway |
| 3) stress | level |
| 4) market | a risk |
| 5) an on-going | member states |
| 6) on a supra-national | as to sth |
| 7) a debate is | testing |
| 8) in the | framework |
| 9) EU | foreseeable future |
| 10)to pose | liquidity risk |

Ex. 3 Provide English equivalents of these expressions:

1) regulacja sektora bankowego	7) opłaty nałożone na banki
2) przede wszystkim	8) kapitał podstawowy
3) zawarte w ...	9) akcje zwykłe
4) Porozumienie Bazylejskie III	10)zyski nierozdzielone
5) adekwatność kapitałowa	11)akcje uprzywilejowane
6) podatek od transakcji finansowych	12)ryzyko płynności

Grammar corner...

In the text you have seen words that refer (talk about) other words. You may think of them as words that take your attention back to what was previously said. Today you will learn some of them. Very often you would like to say „if we're talking about sth”, which can be expressed in many ways, for instance: *as regards sth, with regard to sth, regarding sth, speaking of sth, when it comes to sth, in terms of sth, in (adjective) terms, as for sth, as to sth, apropos of sth*. Impressive, eh? At least ten phrases to express one thing.

Ex. 4 Fill in the sentences with ONE word that best completes them.

- 1) With _____ to your request, I'm sorry to say that, but I have to deny it.
- 2) Speaking _____ your Christmas bonus, we won't be paying it this year because of the company's financial condition.
- 3) As _____ the efficiency, electric cars waste much less energy than traditional vehicles.
- 4) In economic _____ the proposal is disastrous, but the voters will love it!
- 5) Here's the thing about him as manager, _____ terms of efficiency he's great, but the people hate him.
- 6) When it _____ to my holiday plans, well, I don't have any so far.
- 7) Apropos _____ your previous comment, I strongly disagree.
- 8) As _____ what you said before, this is pure nonsense.
- 9) _____ your application dated March 17, 2015, we are pleased to inform you that it has been accepted and we would like to schedule an orientation meeting with you.
- 10) Speaking _____ food, what are we having for lunch?

GLOSSARY	
sth has materialized	coś stało się rzeczywistością
voluntary	dobrowolny
a levy	opłata
to enact sth	wprowadzić coś w życie
sth varies	coś różni się
a core measure of sth	główny wskaźnik czegoś
thus	w ten oto sposób
partly	częściowo
careful consideration	dogłębne rozważanie czegoś
appropriate	właściwy
to arise from sth	wynikać z czegoś
expertise	wiedza specjalistyczna
to leave no doubt as to sth	nie pozostawiać wątpliwości odnośnie ...
a regulatory framework	ramy regulacyjne
stress testing	testowanie w warunkach skrajnych
market liquidity risk	ryzyko płynności rynku
an on-going process	proces w toku
on a supra-national level	na poziomie ponadnarodowym
a debate is underway	debata trwa
in the foreseeable future	w najbliższej przyszłości
EU member states	państwa członkowskie UE
to pose a risk	stanowić ryzyko
bank regulation	regulacja sektora bankowego
most notably	przede wszystkim
contained in	zawarte w
III Basel Accord	Porozumienie Bazylejskie III
capital adequacy	adekwatność kapitałowa
financial transactions tax	podatek od transakcji finansowych

bank levies	opłaty nałożone na banki
tier 1 capital	kapitał podstawowy
common stock	akcje zwykłe
retained earnings	zyski nierozdzielone
preferred stock	akcje uprzywilejowane
liquidity risk	ryzyko płynności

ANSWER KEY:

Ex. 1

- 1) sth has materialized
- 2) voluntary
- 3) a levy
- 4) to enact sth
- 5) sth varies
- 6) a core measure of sth
- 7) thus
- 8) partly
- 9) careful consideration
- 10) appropriate
- 11) to arise from sth
- 12) expertise

Ex. 2

- 1) to leave no doubt as to sth
- 2) a regulatory framework
- 3) stress testing
- 4) market liquidity risk
- 5) an on-going process
- 6) on a supra-national level
- 7) a debate is underway
- 8) in the foreseeable future
- 9) EU member states
- 10) to pose a risk

Ex. 3

- 1) bank regulation
- 2) most notably
- 3) contained in
- 4) III Basel Accord
- 5) capital adequacy
- 6) financial transactions tax
- 7) bank levies
- 8) tier 1 capital
- 9) common stock
- 10) retained earnings
- 11) preferred stock
- 12) liquidity risk

Ex. 4

- 1) regard
- 2) of
- 3) for / to
- 4) terms
- 5) in
- 6) comes
- 7) of
- 8) regards
- 9) Regarding
- 10) of