

Outline of this Lecture

- I. History of mortgage lending
- II. Commercial Real Estate Vehicles
- III. Residential Real Estate Vehicles
- IV. Real Estate Bubbles and the Origins of the 2000s financial crisis in real estate finance

Mortgage

주권 담보 대출

이자나 원금상환을 멈추면
주권을 담보로 가져감

- OED says word mortgage comes from Latin Mortuus vadium (dead pledge), via French which made it into mort gage (gage meaning pledge in French) reached English by 1283
- Verb mortgage means commit property as collateral for a loan. Could mortgage your soul to the devil

History of Lending

- Valerie Hansen, professor of history here at Yale, has been studying Tang Dynasty 618-907 documents regarding the Silk Road trade with the east. Many detailed loan records survive.
- Chinese documents usually prescribed fines, including fines on relatives, for failing to pay ^{62 12}/₁₀
- Iranian documents, in Sogdian language, involve collateral, real estate, goods or slaves, and, pledges to maintain the collateral well. [Sogdian language went extinct in 9th century, but modern Iranian is related to it

Ngrams.googlelabs.com

- The word mortgage began to be common in the late 18th century, as part of the democratization of finance
- Property law wasn't so developed as to allow a lively mortgage industry
- Grundbuch invented in Germany that gave clear title, late 19th century

II. Commercial Real Estate Vehicles

Real Estate Partnerships as the Major Example of a DPP

부동산 투자

- For accredited investors
- Real estate limited partnerships represent the most important example of a Direct Participation Program (DPP), a class of investments that also includes oil and gas exploration programs and equipment leasing programs
- “Direct participation:” DPPs are “flow-through vehicles” and investors can deduct program losses on personal taxes
- “Tax shelters” until the Tax Reform Act of 1986: losses used to offset “passive income.” Now, genuine businesses
- DPPs escape the corporate profits tax
- IRS requirements, notably limitation of life

→ 1986년 이전까지는 실질적 투자목적보다

법인세 감면혜택을 DPP의 주요 목적이라 보았다.

→ 투자기간의 제한

Limited Partnership Structure

- ① General partner runs the business, does not have limited liability
- General partner must own at least 1%
일반 파트너
- ② Limited Partners are passive investors, with limited liability, rights to vote, can replace general partner
제한 파트너
- General partner or associate usually runs the offering to sell units to investors
- Give additional performance-oriented compensation to the general partner

~~REITs~~ REITs

부동산 투자

조합

- **Real Estate Investment Trusts (REITs)** were created by US Congress in 1960 to allow small investors access to real estate investments
↳ DPP를 사실상 가진 투자자로 취급 가능
- Before 1960, public companies that owned real estate would be considered businesses, for which their earnings would be subject to corporate profits tax. So, until 1960, real estate was typically owned by partnerships, not suitable for small investors
- Today, institutions invest in REITs too
(투자) 기금

REITs가 부동산채권이 아니다

아파트 분양권 리츠는 바로 부동산채권 리츠

Restrictions on REITs

- 75% of assets must be in real estate or cash
- 75% of income must be from real estate
- 90% of their income must be from real estate, dividend, interest & capital gains
- 95% of income must be paid out → 수익을 배당금과 수익금 배당금이 의미 부동산 리츠
- No more than 30% of income from sale of properties held less than four years
 - These prevent regular businesses from being REITs

The 3 REIT Booms

- First boom: Late 1960s: interest rates rose above deposit rate ceilings at banks, depositors fled to mortgage REITs. But, with recession of 1974, many REITs defaulted. Economic Recovery Tax Act of 1981 favored partnerships.
- Second boom: Tax Reform Act of 1986 eliminated advantages of partnerships, so investors switched to REITs.
- Third boom: Starting 1992, many private real estate companies found it advantageous to go public as REITs, specialized REITs developed.

III. Mortgages

Size of Mortgages USA

13조 2천억 원

- \$13.2 trillion mortgage debt
- There are 48 million mortgaged homes
- 10.9 million of these mortgages were under water (Corelogic) after the financial crisis when home prices bottomed in 2012

부동산 시장 침체로 Mortgage 대출금반납 - 갚지 않음 = 갚을 필요없게 됨
⇒ 신용불량 상태 (Non-recall state) 인 사람들을 신용으로 대출한 현상
⇒ 대부분 사람을 대출 상환 = 파산사건 자인 상태 = 소비 ↓ = 경제침체

Mortgages in US

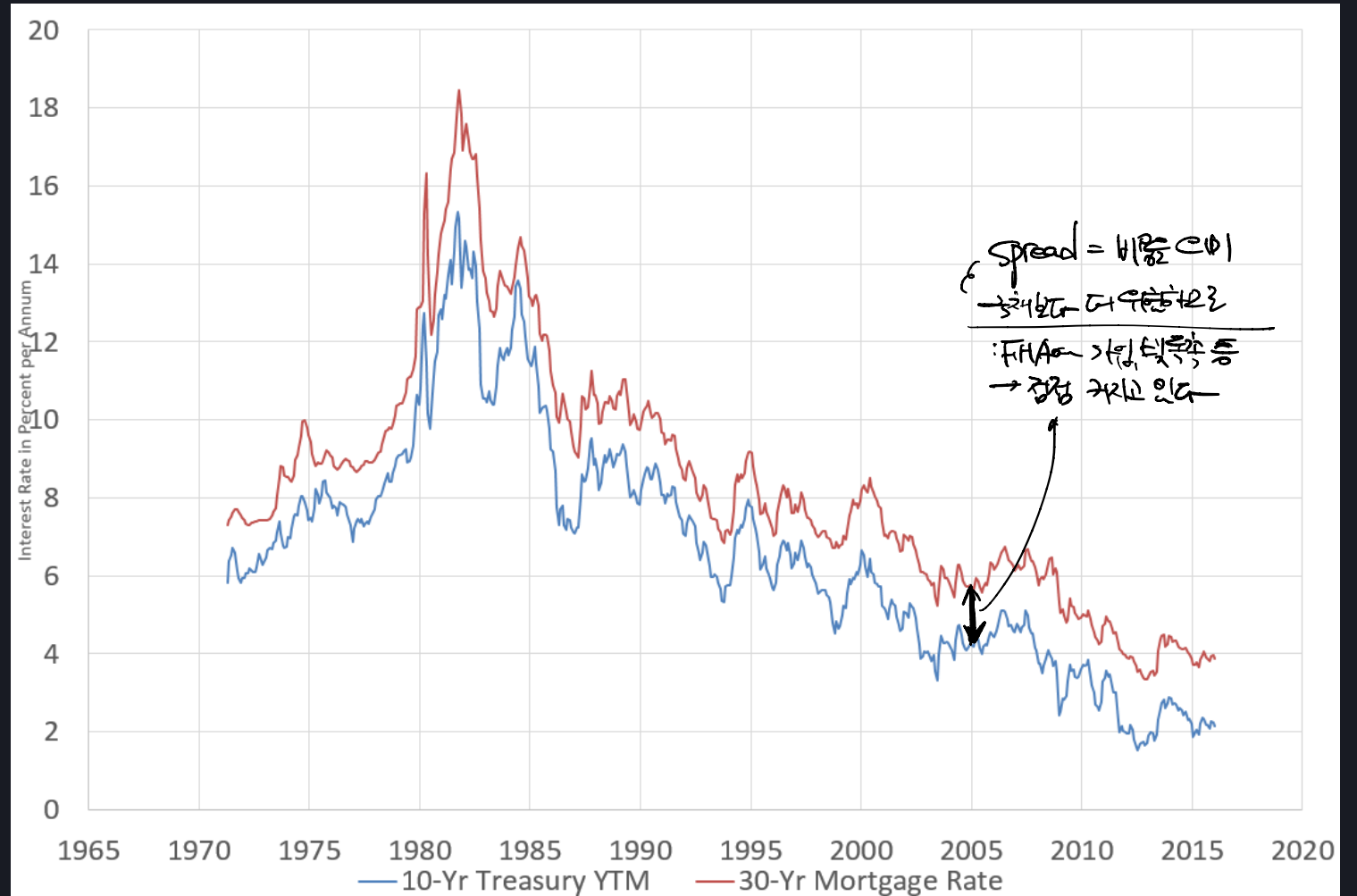
- In 1920s, 5-year term loans common, balloon payment due in five years, or refinance or sell house
- In 1930s, decline in nominal home prices and rise in unemployment caused massive defaults
- Mortgage lending industry turned to long-term annuities

Federal Housing Administration

연방 주택 관리청

- 1934 → 대공황 이후 주택 가격 폭락하자 Roosevelt 정부 때 설립
- Required 15-year loans : 2 year → 15 year로 변경
- Insures the lender against loss
- Govt is betting on its own people!
- Recently, FHA in trouble ⇒ 정부 불이행 증가 ⇒ FHA 부채 증가
- Raised insurance premium from 0.5% to 1.5%, which is killing real estate
FHA 보험료 증가 → 부동산 시장 침체

30-Year Mortgage Rate Compared with 10-Year Treasury



다들 물어
가장 인기 있는
6

Kinds of Mortgages

- Conventional, fixed rate mortgage (amortizing, long term)
- Adjustable rate mortgage (ARM)
- Price level adjusted mortgage (PLAM) payment adjusted to inflation so constant in real terms
- Dual rate mortgages (DRAMs) same as PLAM but interest rate floats
- Shared appreciation mortgages (SAMs)
- First mortgages: on purchase of home
- Home equity loans

Private Mortgage Insurance (PMI)

주택 담보 대출 보험

- Companies, such as MGIC, insure Fannie & Freddie against losses on their mortgages.
- Both Fannie & Freddie require that mortgagors buy mortgage insurance if down payment is less than 20%.
- Controversy: with recent real estate price increases, LTV has declined below 80% for many homeowners still paying for mortgage insurance. The PMIs don't notify them.
주택 가격이 상승하여 LTV 하락하면 PMI 면제(?) 가능
- PMI Group Inc. declared bankruptcy in 2011.
→ 회사가 할라파지 안하더라.
이제 자발적인...

Collateralized Mortgage Obligations (CMOs)

모기지 담보 증권

- CMOs divide the cash flow of a mortgage pass-through security into a number of tranches in terms of prepayment risk. \Rightarrow 주택담보대출 (mortgage)을 묶어서 특정한 기간별로 \Rightarrow 등급을 '크레딧'으로 나누어 구분
- Sequential-pay CMOs (first created 1983): First tranche receives first principal payments, after it is paid off the second tranche receives principal payments.

6. 상위 크레딧은 하위가 모두 채워졌을 때까지 영향 X.
따라서 AAA, AA 등급은 순서대로 빠져 나갈 \rightarrow 신용위험

Collateralized Debt Obligations (CDOs)

- Hold securities, typically mortgage securities as their assets
- Typically hold subprime mortgages
- CDOs divide the cash flow into a number of tranches in terms of *default* risk
- CDO debt crisis 2007
- Criticism of rating agencies for not downgrading them

* CMO, CDO가 신용위기의 원인성.

→ 여타 가정이 급락하여 실패하면 좋지 기회가 됨.

가정도 늘 회복될까지 있음 ⇒ 위기속에서 기회가 있고 늘 파악해서 생각해야 함!

Liar's Loan → 금융위기 예방
(부동산가 떨어짐)

A Fix Begun in Europe

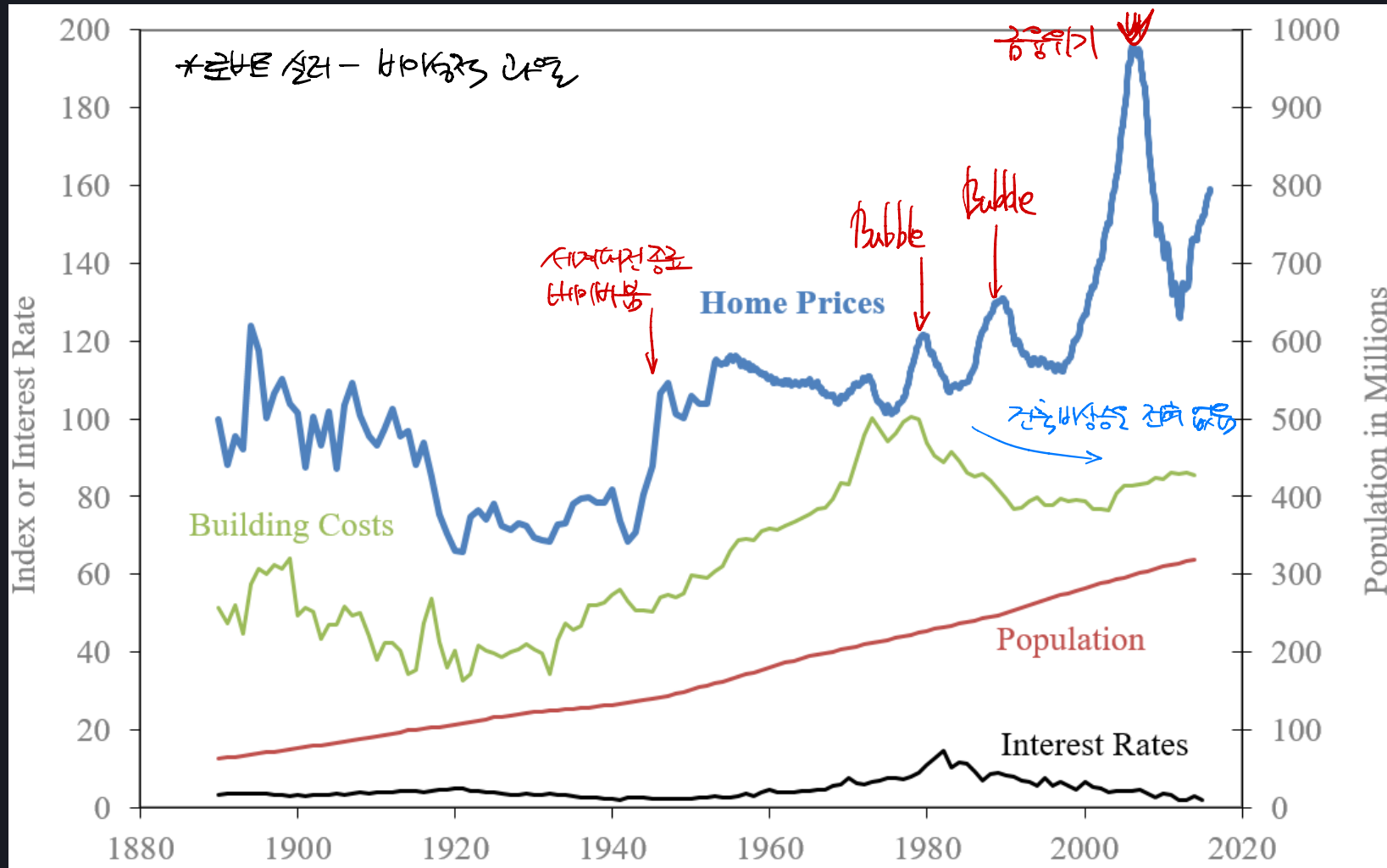
- 5% mortgage originator must hold 5% of mortgages, European parliament → 금융기관에게 5% 분의 대출을 의무화 (강제)
= 프랑크푸르트에서 금융기관도 나눠갖도록...
- Dodd-Frank copies this idea → 미국에서 도드-프랭크 법안도 이걸 따옴
다! QRMs인 경우도 제외...
- Qualifying Residential Mortgages (QRMs) are exempt from requirement in USA
가장 큰 주택담보 대출
- But discord has prevented US government from defining QRMs as of 2012

Requirements for QRM (as of 2014 Rule)

- Regular periodic payments that are substantially equal;
- No negative amortization, interest only or balloon features;
- A maximum loan term of 30 years;
- Total points and fees that do not exceed 3 percent of the total loan amount, or the applicable amounts specified for small loans up to \$100,000;
- Payments underwritten using the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment is due;
- Consideration and verification of the consumer's income and assets, including employment status if relied upon, and current debt obligations, mortgage-related obligations, alimony and child support; and
- Total DTI ratio that does not exceed 43 percent

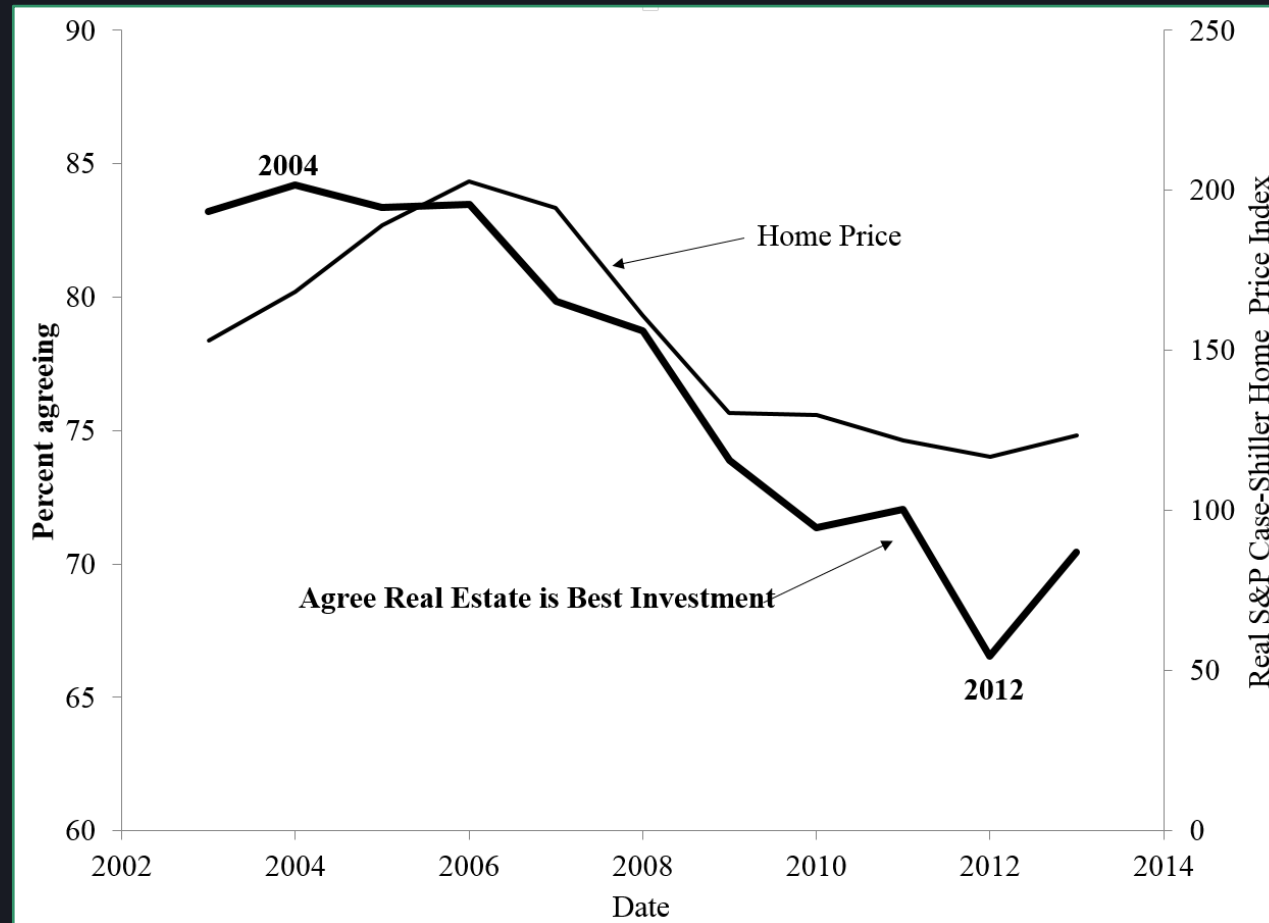
IV. The Real Estate Bubble and Burst and Origins of the 2008 Financial Crisis

Real Home Prices and Fundamentals, 1890-2015 (Updated from Shiller *Irrational Exuberance* 3rd Ed. 2015)



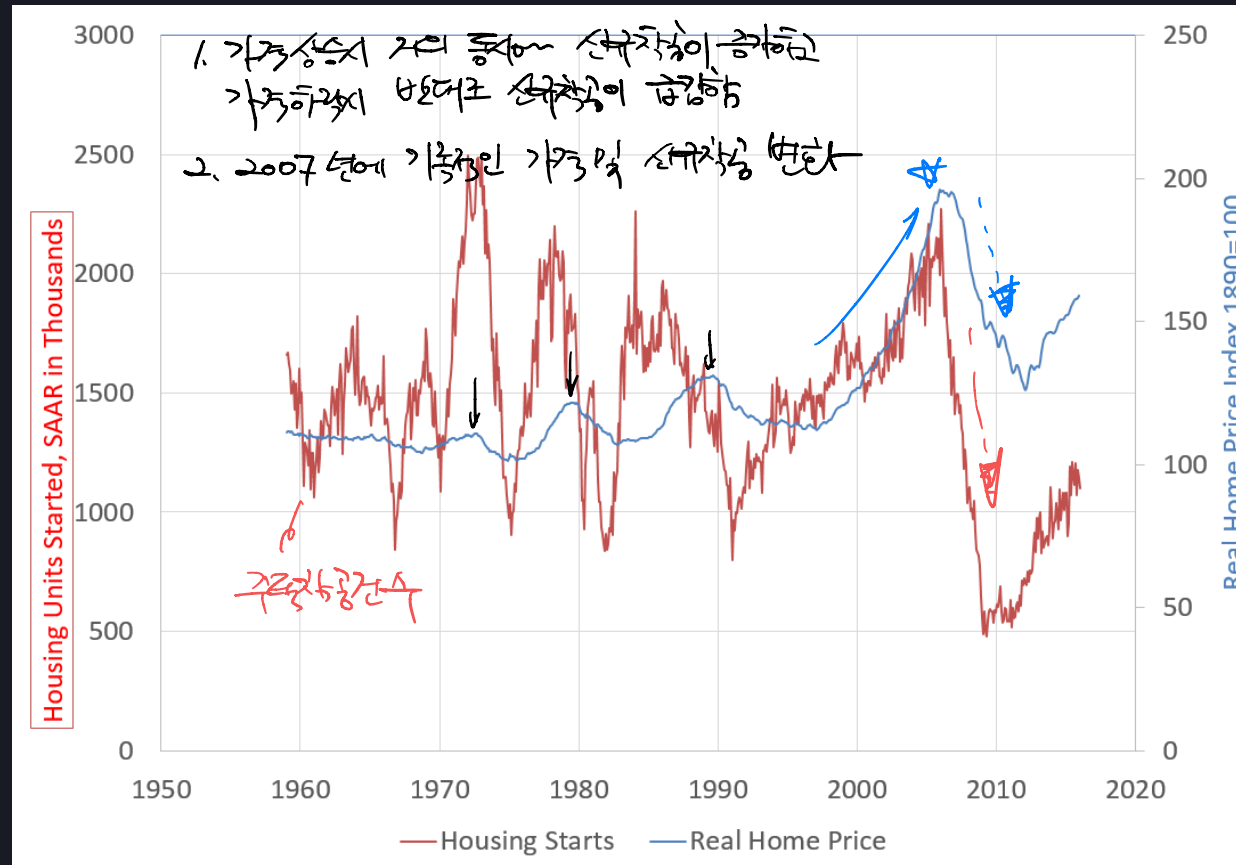
Evidence of Feedback Mechanism: Results of Home Buyer Survey:

Real Estate Is the Best Investment

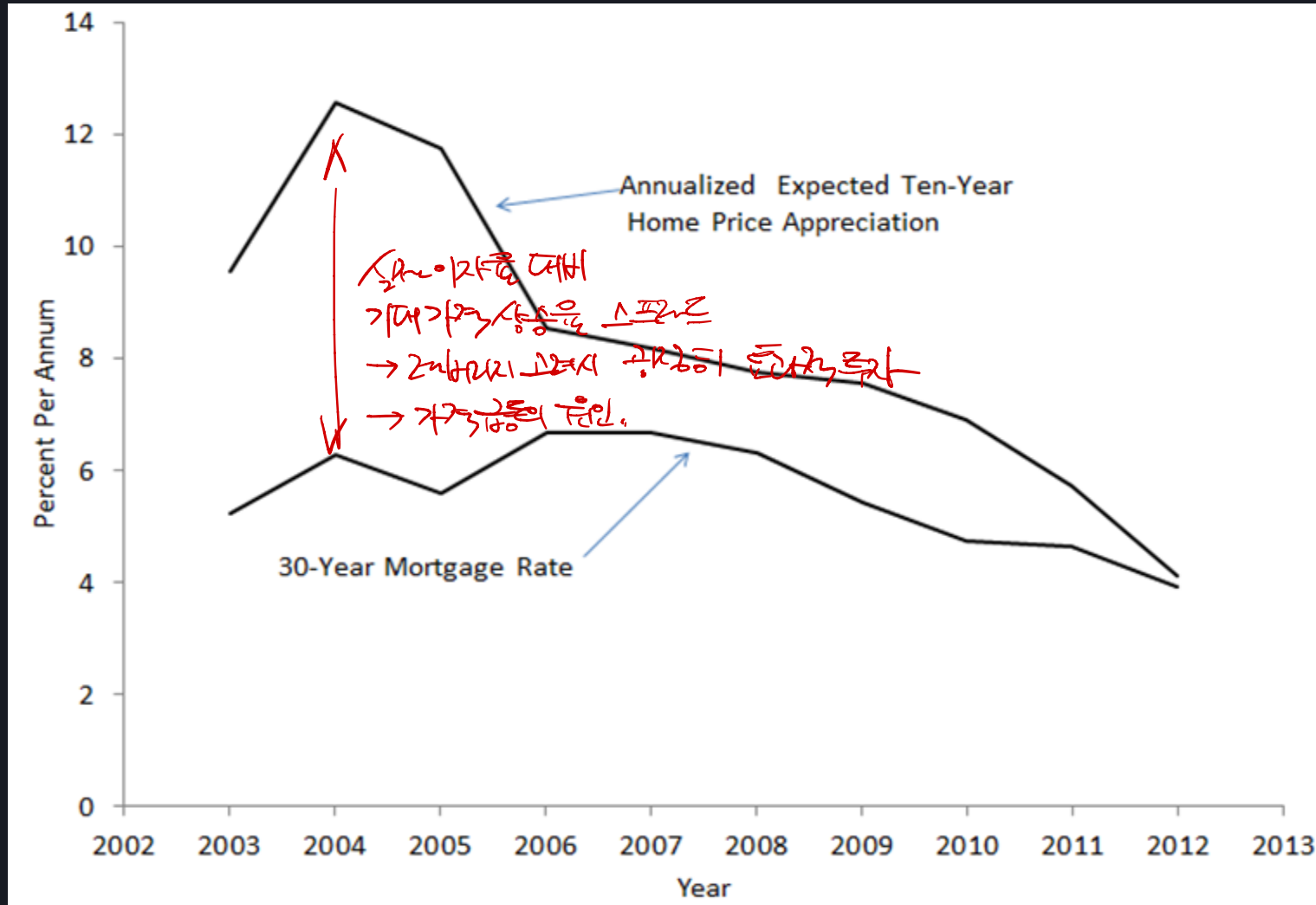


Housing Units Started 1959-2016

With Real Home Price



Ten-Year Expectations And 30-Year Mortgage Rate



The Economist June 16, 2005

- “PERHAPS the best evidence that America's house prices have reached dangerous levels is the fact that house-buying mania has been plastered on the front of virtually every American newspaper and magazine over the past month.”

지나친 과열에 대해 이미 2005년 4월 경고.
주택가 넘쳐나는 때가 붕괴 직전의 경고이다!



Time Magazine, June 13, 2005



Barrons, Jon Laing, June 20, 2005

Economist Robert Shiller, whose book predicting a stock-market rout arrived just before the Nasdaq began its sickening slide in 2000, sees another bubble ready to burst. Home prices, he contends, could fall by as much as 50%, adjusted for inflation.

The Bubble's New Home

by Jonathan R. Laing



Shiller sees no rational reason for the sharp rise in housing prices over the past few years in many major markets, such as those shown in the charts below.

TALK ECONOMIST ROBERT SHILLER DELIVERS HIS forecast for U.S. housing with a scholarly difference that only slightly mutes his stark message: The market is in the throes of a bubble of unprecedented proportions that probably will end ugly.

Such unsettling talk is cheap, of course, especially from a tenured academic, and many academics, including Shiller, have strongly predicted housing's down fall several times in the past few years. But the Ivy League professor's forecasts of coming trouble have been right before. His best-seller *Irrational Exuberance*, predicting a bear market in U.S. stocks, hit the best-seller list in March 2000, less than a week before the Nasdaq began a dizzying descent from above 5,000 that would destroy 55% of its value in a little over 2½ years.

In the real-estate market, Shiller contends, a price slide could begin at any time with the momentum of what he describes simply as "huck"—a word that he uses to cover everything from the recent, time-causative over-story on the verigian rise in home prices and the popularity of cable television to the recent, time-causative over-story in real estate to the breathless newspaper stories of Miami condos being "flipped" for profit a half dozen times before construction even began.

The No. 1 agent's leading party shaker three days after all, is that nothing beats a house as an investment because prices just keep rising while the money gets to live comfortably at the old-fashioned cash-back-to-cash-out.

"The home-price bubble feels like the stock-market mania in the fall of 1929, just before the stock bubble burst in early 2000, with all the hype, hard investing and absolute confidence in the inevitability of continuing price appreciation," Shiller observes in the subchapter on housing in his new book, *The New York Times* best-seller *House of Illusions*. "My blood ran slightly cold at a cocktail party the other night when a recent Yale Medical School graduate told me that she was buying a condo in Los Angeles during her year-long internship, so that she could flip it for a profit next year. Tulipmania reigns."

Shiller, like any economist of reputation, is somewhat

careful about predicting how or when the housing bubble will deflate. With so much price momentum since the crash in 1997 and with low mortgage rates and a building away, the surge could persist for a while. Or it could end abruptly, as it did recently in the once-red-hot Sydney, Australia, residential market, where real (inflation-adjusted) prices rose 12.8% in 2000 before dropping 2.5% in 2004 and remaining widely over a loss.

Homeing heads, unlike bear markets on Wall Street, often start almost imperceptibly and unfold slowly. They're difficult to detect in their early phases, in part because accurate price data on comparable-home sales is hard to come by. So, you can look at the records to calculate the prices fetched by new houses, each with four bedrooms and three baths and located in the same town. But determining precisely how their conditions, amenities and neighborhood stack up isn't easy.

Adding to the uncertainty: Homeowners often live in denial of market realities by listing their properties at unrealistic prices or simply taking their homes off the market to wait better times.

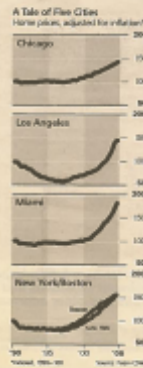
Shiller worries that the market has become so overvalued in many areas of the U.S. that any decline could pick up momentum in one to three years, when the adjustable-rate mortgages that have accounted for nearly half of all home loans in the second half of 2004 will begin to "re-price" at higher interest rates, potentially buying costly optimistic buyers spending much more but with debt. Low-to-no-down-payment, and interest-only mortgages, would only add to the possible magnitude of involuntary sales if home prices were to sag, Shiller adds.

In Shiller's view, a real price decline of as much as 50% in U.S. home prices over the next decade isn't beyond the realm of possibility. Such a drop would be less catastrophic than it might seem at first blush. Like any economist, Shiller adjusts to annual returns for inflation, which tends to amplify any downturn and make it appear as a real price decline. That he foresees only a 25% to 25% cumulative decline in nominal prices (which works out to about an average of 2% a year over the decade) with the loss of purchasing power from 8% annual inflation, according to the remainder of the "real" decline, 14%, that would be a crushing blow to anyone counting on rising home values to bail him out of any financial problems.

Both real declines aren't unprecedented. Los Angeles-area home prices fell over 40% in real terms between 1989 and 1997 before beginning a sharp ascent. That drop was largely attributed to job losses from the contraction of the aerospace and defense industries in Southern California in the late 1980s and the 1990s.

However, today's speculative real-estate bubble is so extreme that it wouldn't take an "unconventional" event like changing interest rates or a recession to prick it, warns Shiller. Prices could simply crash under their own weight. Three months ago, Shiller released a heavily revised edition of *Irrational Exuberance* that included a number of sections on the real-estate bubble and the trouble he foresees for housing.

The Yale economist has done much work over the years



Misbehavior, Crises, and Regulation

복검 행위

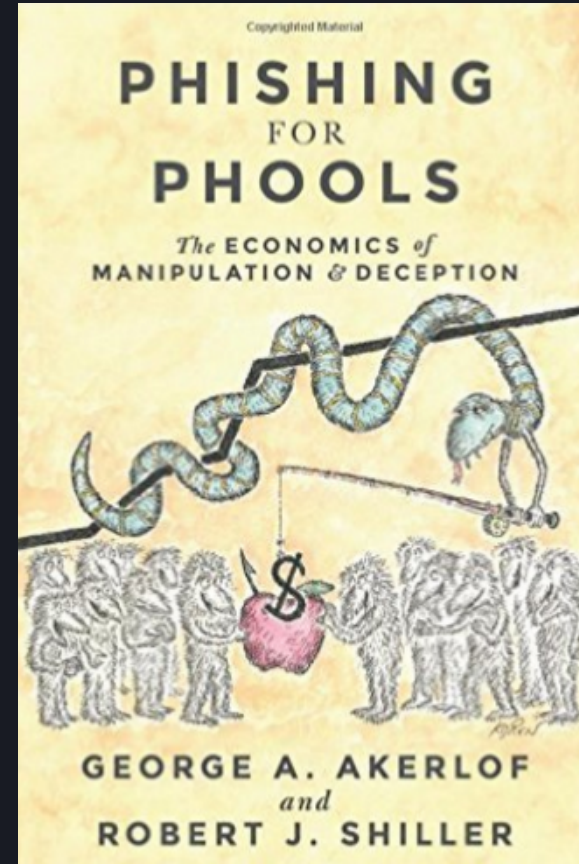
왜 피싱행위가 발생하니까?
 - 다른사람들이 다 그렇기 때문이다
 - 경쟁에서 뒤처지면 유리소용X

Regulation and Human Behavior

- Regulation is substantially aimed at dealing with human problems, manipulation and Deception
극단, 대안책으로
- Regulation goes beyond this, in dealing also with making the system work better, such problems as monopoly and externalities, such as “too big to fail”
외부효과

* 규제는 시스템이 잘 작동하기 위하여 설계된다
 → 즉, 규제를 제치는 행위는 반드시 잘못

* 피싱행위 ⇒ 서로 속이는 행위가 일어난다면 좋은 규제가 필요하다



MicroPrudential vs Macroprudential Regulation

미시건전성 거시건전성

- Most regulation just prior to the 2007-2009 crisis emphasized microprudential
- Macroprudential was nobody's business

Business Wants Regulation

- Without regulation, people are forced to do things in a competitive system that they think are bad for society } 고정비용
- Forced to lowest common denominator
- Analogy to having a referee at a sports event
- Players hate referees, but without them they know game would deteriorate into something ugly

① 건전한 경기를 위해 심판(가중)가 있어야 함

② 가중의 "Trade-off"를 감수함

필요하지만 너무 많은 자원을 생산성을 저하시킨다.

Outline of Lecture: Five Levels of Financial Regulation

1. Within-firm regulation

기업 내 규제

2. Trade Groups

거래 집단 → 기업의 자원 봉사 조직

3. Local Government Regulation

지방정부 규제

4. National Government Regulation

중앙정부 규제

5. International Regulation

I. Within-Firm Regulation

The Board of Directors

- The Board of Directors acts like a regulator

→ 이사회가 내부 → 외부로 가는 통로

- Outside directors represent a broader community

사회 이사

- In last lecture I emphasized that society functions to quarantine people with personality disorders, and people derive reputations

- Putting outsiders of known reputations on a board is a signal to outsiders of regulation

평판 좋은 사람을 포함
⇒ 배신꾼

Tunneling

⇒ 작금이 교묘하게 횡령하는 것을 의미 (불러 타는 것 과 내는 느낌)

- Johnson, LaPorta, Lopez-de-Silanos, and Shleifer, AER May 2000
- Tunneling = Expropriation by minority shareholders (figuratively, as by an underground tunnel) ^{주인 사용} ^{대주주 (원금 우선)}
- More common in civil law countries (especially French) than in common law countries (LaPorta et al. 1998). Hence, higher proportion of private and family-owned companies in civil law countries.

영미법
(프린트 우선)

영미법보다 대주주가 더 큰 권력을 행사

- 작금이 교묘하여 불려내기 쉽지 않은 경우가 대부분

- 영미법은 회사가 실수 문제, 인간 관계를 상당히 볼 수 있는 장점이 있어 더 낫다고 함

- 개인회사, 가족 소유 회사의 경우, 순서 가동성 ↑

How Tunneling is Achieved

- Asset sales 자기에 회사자산 처분
- Contracts, as for prices paid for inputs 비정상가 거래 + 알수 없도록 비정상적으로 긴 계약서
- Excessive executive compensation 경영자 대우 향상
- Loan guarantees 대주주 보증
- Expropriation of corporate opportunities 회사 기회를 탈취 (→ 지인 ...)
- Dilutive share issues 주식 분배
- Insider trading 내부자 거래 — 통제/양해를 알뜰한 미시 실행

Directors' Duties to Prevent Tunneling

- Duty of Care: Act as a reasonable, prudent or rational person would
- Duty of loyalty: Prevent insiders from benefiting at expense of shareholders
- Common law countries give more judicial discretion to judge conformance with these duties, and so are more effective in preventing self-dealing transactions
- Interlocking boards: make it harder to tunnel

Tunneling in France

- SARL Peronnet, a French company owned primarily by the Perronet family leases a warehouse from the Peronnet family at a high price. When minority shareholders sued, French court ruled that the transaction had a legitimate business purpose, and that it was beyond the court to judge whether the price was too high. In US or UK, price would have been a factor.

(
가치가 높으니 과다한 가격에 임대할 필요가 없어.
다들 임대하니까 괜찮아.
형제끼리라면 다들 임대할 것이라든가 서로간에 생각

II. Trade Groups

주식회 D H 5 4-22가게(주) ⇒ NYSE 설립

now!

Text of Buttonwood Agreement 1792

버튼우드
협약

- We the Subscribers, Brokers for the Purchase and Sale of Public Stock, do hereby solemnly promise and pledge ourselves to each other that we will not buy or sell from this day for any person whatsoever any kind of Public Stock, at a less rate than one quarter of one percent Commission on the Specie value and that we will give preference to each other in our Negotiations. In Testimony whereof we have set our hands this 17th day of May at New York, 1792^[1]

→ 72H 1792...

→ 72H 1792

We the Subscribers, Brokers for the Purchase
and Sale of Public Stock, do hereby solemnly
promise and pledge ourselves to each other, that
we will not buy or sell from this day for any person
whatsoever, any kind of Public Stock, at a less rate
than one quarter per Cent Commission on the Specie
value of said that we will give a preference to
each other in our Negotiations. In Testimony
whereof we have set our hands this 17th day
of May at New York. 1792.

Gov. Blackett

Hugh Smith

William B. Barnwell

Sam. Marsh

Bernard Hart

Alfred Luntz

Merad. B. Barclay

Sutton & Hardy

Benja. Seear

John Henry

John A. Haydenbrook

Amos. B. B. B.

Amos. B. B. B.

Amos. B. B. B.

Amos. B. B. B.

정말?

가장 및 거래장황위 이신가?

From NYSE Web Site

- “At the heart of the Buttonwood Agreement was the need for fairness, responsibility and trust. Just two months earlier, Colonel William Duer, a wealthy former assistant secretary of the treasury, had defaulted on his debts, causing a brief panic in the New York financial markets. The importance of being able to trust those with whom you deal, paramount in the minds of the 24 merchant-brokers, remains central to this date.”

→
정말
가장
가장
가장
가장

William Duer

- Duer was a man of questionable ethics, who borrowed heavily to buy into a stock market bubble, deceiving others, manipulating
- The US stock market crash of 1792 created macroprudential problems as well, to be resolved, some thought, by not trading with dubious people

Regulation of Commissions on Natural Monopolies

- May Day May 1, 1975 SEC under chairman Ray Garrett Jr. (BA Yale College, appointed by Nixon), under President Ford (Yale Law School) abolished fixed commissions (also begin of National Market System NMS)
- Big Bang London October 27, 1986, Margaret Thatcher abolished fixed commissions to eliminate “elitist old boy’s network.”
- Deutsche Boerse attempted to buy NYSE and Nasdaq 2010, but Intercontinental Exchange bought NYSE, Nasdaq still independent
- Deutsche Boerse is trying to buy LSE 2016

1975년
SEC
고정수수료
폐지

증권거래소

시장의 통합 노력

3. Local Regulation

지방정부 규제

Banking Regulation

- Belonged to states until the National Banking Act of 1863

Securities and Exchange Commission

SEC, 증권거래위원회

- Louis Brandeis, *Other People's Money*, 1914 was intellectual origin. Disclosure
- Blue Sky Laws of Progressive Era 20세기 초반 증권법 제정
여러 증권사들이 발생한 시기
- 1920s were period of much fraud, manipulation

Blue Sky Laws

증권법 → 증권거래법

증권과 주식이 가능해지다
사기행위 방지

- Regulates the offering and sale of securities to protect the public from fraud, regulates brokers and advisers
- Require registration of Securities
- blue sky law was enacted in Kansas in 1911 at the urging of its banking commissioner, Joseph Norman Dolley, and served as a model for similar statutes in other states. Between 1911 and 1933, 47 states adopted blue-sky statutes

4. National Regulation

Local Regulation Failed

- SEC part of Roosevelt's New Deal, 1934
- Initially viewed by business as a radical, almost socialist, institution. Peculiar that it started in ^{규제자인} US, imitated by other ^{기타} countries

• SEC의 주요한 원칙 : '공개공개' - Disclosure!

— 상장기업에게 현재 상태에 대해 주기적인 공개를 요구
이들 기업이 쉽게 접근할 수 있어야 함

— "EDGAR" - Financial Statement 자동프로그램에서 확인 가능

William O. Douglas (1898-1980), Served with early SEC

법적 현실론 운동

- As Prof., Yale Law School, led the “legal realist movement” taking account of human foibles, the actual application of law
- Served on the early SEC 1936-, became chair 1937-9, had acrimonious relation to business
- Later served on US Supreme Court (replacing Brandeis) (1939-74)
- His book *Democracy and Finance* 1940 recounts his adventures as SEC chair



Arthur Levitt *Take on the Street*

2nd Edition

- Recounts an atmosphere of denial of problems among many prominent Wall Street people
- Recounts “vivid” memories of reactions from some of the self regulatory organizations (SROs) when he proposed tightening of standards
- Bull market of the 1990s: after deregulation of commissions in 1975 analysts fell to “the bottom of the food chain” and eventually became conspirators in selling securities to maintain their income

"상장"을 의미

일반적으로 공중투자!

→ SEC 등록 필요

Public vs. Private Securities

- Motive was repeated examples of exploitation of minority or unobservant shareholders.
- Public securities: undergo approved process of issuance under SEC surveillance.
- Public companies must file public statements. ~~EDGAR~~ database on www.sec.gov.
- Initial Public Offering (IPO) is SEC procedure for going public.
- Reverse direction: going private. → 기업공개 반대로 상장귀속도 물론 가능

Hedge Funds

사모 펀드

소수 투자자를 위한
비공개

- For wealthy investors only
- Those structured as 3c1s can take no more than 99 investors, and they must be “accredited investors” as defined by the SEC which means income of \$200,000 or investable assets of \$1,000,000 (SEC proposal in 2006 to raise to \$2,500,000 did not happen)
- Those structured as 3c7s can take 500 investors, but they must be “qualified purchasers” as defined by the SEC, individuals with net worth of at least \$5 million or institutions with net worth of at least \$25 million.

SEC Rules

- Every broker must register with SEC
- Every stock exchange must register
- Every security issue must register
- Registration does not literally mean SEC approval

Insiders vs. Outsiders

- Insiders are people with special access to information about a company. → 내부자 거래 지위가 필요함 (정보 불균형)
- Inside information represents wealth
- SEC tries to define access to this wealth, by disclosure rules.
- Regulation FD (Full Disclosure) 2000: requires that when a company tells any material fact to an analyst, it must immediately tell the public. → 애널리스트에게 공개되면, 즉시 대중에게도 공개
- Germany did not have any laws against insider trading until 1994
- Some argue insider trading is good. Hayne Leland

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Results of Market Surveillance

- May 1995 secretary at IBM was asked to Xerox documents related to secret plans to take over Lotus, to be announced June 5.
- She told husband, a beeper salesman.
- June 2 he told two friends who immediately bought.
- By June 5, 25 people spent half a million dollars to buy on this tip: pizza chef, electrical engineer, bank executive, dairy wholesaler, schoolteacher, and four stockbrokers. All caught by surveillance.

가짜뉴스 선동

Emulex Corporation

- Mark S. Jacob, 23, had shorted stock of his former employer, stood to lose money.
- Sent fake news release to Internet wire, was picked up by Bloomberg, Dow Jones News Wire and CNBC. He immediately covered.
- FBI, using Internet Protocol Numbers, tracked down initial news to El Camino Community College library. Police questioned librarians, and eventually tracked him down.

선도거래 양쪽 (큰 거래량 오른 때)

Front Running and Decimalization

- Front-Running occurs when a broker buys shares in front of a large order that will boost stock price.
- Decimalization on NYSE and Amex began January 29, 2001. (NASDAQ April 2001)
- Decimalization favors front-running.
- NYSE Surveillance has not found a serious problem.

Financial Accounting Standards Board

- FASB officially recognized as authoritative by SEC in 1973. Though SEC has statutory right to make accounting standards, prefers private sector do it.
- FASB (Norwalk CT) defines Generally Accepted Accounting Principles (GAAP), used for EDGAR
- <http://accounting.rutgers.edu/raw/fasb/facts/index.html>

Earnings Definitions

- GAAP Define “Net Income” which is the bottom line, traditionally, and “operating income,” revenue minus cost of doing business
- Operating earnings, Core Earnings, Pro Forma Earnings, EBITDA, and Adjusted Earnings are not GAAP
- FASB is at work on developing new definitions, but this takes years.
- Great confusion today about earnings

Goodbody & Co. Failure, 1970

- Top-five Brokerage firm Goodbody & Co. ran into financial difficulties, trouble maintaining SEC capital requirements
- Fears for the accounts of of their 225,000 retail clients
- At the request of the New York Stock Exchange, Merrill Lynch took over company 1970
- New York Stock Exchange pledged \$30 million to cover losses Merrill might incur
- None of Goodbody's retail customers lost anything, because of the "heroism" of Merrill, NYSE

Securities Investor Protection Corporation (SIPC) 증권투자자 보호공사

- To plan for such events in the future, SIPC was created by US Congress 1970 (Sen. Ed Muskie)
- Protects customers of brokerage firm or clearinghouse against failure up to \$500,000 per account, \$100,000 for cash.
- SIPC much criticized. Very defensive, pays more to the lawyers than to claimants.
- Disallows claims that were not filed “promptly.”
- “not blanket protection that returns your money in all cases,” “doesn’t cover fraud claims” (SIPC web site)
- SIPC extremely slow to pay.

The 2008 Financial Crisis as Result of Regulatory Failure before Crisis

- Many home buyers were put into unsuitable mortgages, later to default
- Leverage ratio of the financial sector was allowed to reach historically high levels
- Banks and governments used off-balance-sheet accounting to conceal liabilities
- Home appraisers were in effect bribed
- Rating shopping compromised security valuation process

평가 쇼핑

무지나, SQP 등 여러 평가사를 사용
좋은 결과를 얻기 위해 모든 것을 할 것임

Dodd-Frank Act 2010

- Creates Financial Stability Oversight Council
- Creates Bureau of Consumer Financial Protection

CFPB
소비자 금융 보호국

European Supervisory Framework Created 2010

- European Systemic Risk Board (ESRB) Frankfurt
- European Banking Authority (EBA) London
- European Securities Markets Authority (ESMA) Paris
- European Insurance and Occupational Pension Authority (EIOPA) Frankfurt

5. International Regulation

Bank for International Settlements

BIS → 국제결제은행

- Created 1930 by Hague Agreements
- Has 57 member central banks, who are in turn national regulators
- Basel Switzerland

Basel Committee

바젤 위원회

- Created by the G10 1974 to coordinate banking regulation
- Basel I 1988
- Basel II 2004
- Basel III 2009 Adopted by G20 at the Seoul Korea summit in 2010

↖ 금융위기와 관련

G-7 Countries

- Finance ministers of Canada, France, Germany, Italy, Japan, United States, UK, 1976, when Canada joined

G20

- Group of Twenty Finance Ministers and Central Bank Governors (G-20, G20, Group of Twenty)
- Founded 2008
- Met in Ankara, 2015

Financial Stability Board

- Created by G20, April 2009, from the former Financial Stability Forum (which was founded 1999 by the G7 countries)
- Makes recommendations to the G20, which may end up adopted in many countries
- Basel Switzerland

★ Final Thoughts

- Regulation has to continually change through time as technology changes
- World economy dominates more and more, and so regulation will shift to international

① 실리카코니의 생각:

- 자유시장의 성공 비결은 항상 "규제"였다 = 공정한 규제
- 시장을 항상 제멋대로 내버려 두어서 규제되어야 한다.