



Prof. Dr. Kern Alexander
Prof. Dr. Marco Dell'Erba

Frühlingssemester 2021

International Finance Law

23 June 2021

Duration: 12-hour Take-Home Examination Essay Questions

Start: **Wednesday, 23 June 2021, 09:00 CEST** (local time in Switzerland).

End: **Wednesday, 23 June 2021, 21:00 CEST** (local time in Switzerland). Submit the Exam Answer Sheet and the Examination Honor Code RWF Form to lst.alexander@rwi.uzh.ch by this deadline. Please ensure an adequate internet connection ahead of time. Late submissions are not accepted.

- Please check at receipt of the exam the number of question sheets. The **Exam** contains 3 pages containing 4 questions.
- The **Exam Answer Sheet** template is a separate document and contains 1 page – use this template for your answers, and send it to us at lst.alexander@rwi.uzh.ch
- The **Examination Honor Code RWF Form** is a separate document and contains 1 page – date and sign this and send the scan to us in the same email as the Exam Answer Sheet.
- The **Fact Sheet on Online Exams** is a separate document and contains 2 pages – for informational purposes only.

Notes on solving the questions

- Answer all four (4) questions.
- There is a 4000-word limit (for the whole exam). If you exceed it, points will *not* be deducted; however, be aware that if you exceed it markedly, you run the risk that the examiners do not read the excess words. *Your answer must contain a discussion and analysis of the main legal (and related policy issues) based on information from lectures and readings. Exam points will be awarded for identifying the main issues and providing the relevant analysis. Note: you will not receive full points simply for copying information off the lecture slides. Please make an effort of analysis, comparison and criticism to achieve full marks.*

Notes on marking

- When marking the exam, each question is weighted separately. Points are distributed to the individual questions as follows:

Question 1	20 points	20 %
Question 2	30 points	30 %
Question 3	30 points	30 %
Question 4	20 points	20 %

Total	100 points	100 %
-------	------------	-------

We wish you a lot of success!



Note: Please use the Exam Answer Sheet template we provide in a separate attachment. Date, sign, and scan the Examination Honor Code RWF Form and send it and the Exam Answer Sheet in one email to lst.alexander@rwi.uzh.ch by the submission deadline.

Question 1 (20%)

What types of risks do environmental sustainability risks (including climate change) pose to the international financial system? In your view, should international regulators incorporate environmental risks into financial regulation? Which international regulatory standards (if any) are appropriate for addressing environmental risks?

Question 2 (30%)

SB Banking Group ('SB Bank') is a large systemically-important global bank with headquarters in State A. State A is a member of the Basel Committee on Banking Supervision. State A has implemented fully the international financial regulatory standards discussed in class. SB Bank operates through multiple foreign branches and subsidiaries and is subject to the principle of consolidated supervision for prudential regulatory requirements.

SB Bank has maintained a medium-sized subsidiary bank incorporated under the laws of State C. State C has historically been a jurisdiction with 'light touch' regulatory standards. Following the financial crisis, State C adopted all of the main post-crisis regulatory reforms (discussed in class). However, State C is looking for a competitive advantage in how they regulate financial markets in order to attract more financial business. To this end, State C seeks to use less-stringent regulation of 'Bitcoin' and 'Cryptocurrency' activities to attract more financial business. State C hopes that global banks (such as SB Bank) will establish their bitcoin and cryptocurrency trading and investment operations through bank subsidiaries and other local offices in State C.

State A has strictly applied international capital and liquidity requirements to the global operations of banks headquartered in State A. Specifically, State A's regulators require SB Bank to classify all exposures to bitcoin and cryptocurrencies with a 100% risk-weighting. In contrast, State C's regulators allow all banks, including the local operations of foreign banks such as SB Bank, that operate in State C to classify bitcoin and cryptocurrency assets with a 20% risk-weighting.

State C's regulators are also proposing to adopt 12% Total Loss-Absorbent Capital requirements for the resolution planning of all systemically important banks (SIBs) operating in State C. However, state A applies the international 18% TLAC requirement for all SIBs. Also, State C adopted the Multiple Point of Entry approach (MPE) for resolving a bank with cross-border operations, whereas State A adopted the Single Point of Entry (SPE) approach. State C has also proposed eliminating the resolution authority's power to impose bail-in on bank investors.

State A's regulators requested that SB Bank comply fully with international standards.

1. SB Bank's Board has asked you to advise it regarding whether SB Bank's subsidiary bank in State C should comply with State A's 100% risk-weighting requirement for



bitcoin and crypto assets, or should it apply the 20% risk-weighting required by State C's regulator?

2. The Board has asked you to advise it on whether the bank resolution standards in State C (discussed above) comply with international standards?
3. State A's and State C's regulators have asked you to advise them on whether there are any ways or procedures on cross-border coordination that the regulators and resolution authorities in both states could undertake to resolve or reduce the negative effect of any contradictory or inconsistent regulatory requirements?
4. Do you think that State C's adoption of less stringent regulatory requirements would undermine any international principles of financial regulation discussed in this course? If so, which ones.

Question 3 (30%)

John Dillinger is an ambitious entrepreneur who wants to launch his new project TechWillSaveTheWorld, a tech company engaged in producing innovative technology for sustainable purposes.

John Dillinger heard about new developments in entrepreneurial finance, in particular the emergence of Initial Coin Offerings (ICOs) and their evolution as an alternative to traditional Initial Public Offerings (IPOs).

John Dillinger is tempted by this alternative tool for financing his venture.

- Explain the advantages and disadvantages of the two options, taking into account (but not limited to) the risks for investors and the financial system, the potential costs related to disclosure. Please state what you would suggest, if you were Mr. Dillinger's advisor.

Question 4 (20%; 2 sub-questions: 10% each)

If John Dillinger opted for an IPO, he would have to hire an investment bank providing specific services and supporting him in the process.

- (i) Explain what would be the role of an investment bank in this context, and adopting a broader perspective why this is vital for financial markets.

If TechWillSaveTheWorld was listed on the Stock Exchange, it would be subject to mandatory disclosure rules.

- (ii) Explain what is the role of mandatory disclosure in capital markets, highlighting its limits and potential alternatives that regulators might want to consider.