

Banking Financial Management and financial market

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Name: Beatriz Marques Rodrigues

Student Number: 1817786

Teacher: Isaiah Oino

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1. EXECUTIVE SUMMARY

This report aims to analyse the financial statement of the bank and its major competitors to obtain the profits and develop the business. In addition this aim has a responsibility to consider the global changes and the impact of the bank in the world and the new era. The purpose of this analyse is to consider the aftereffects of global banking system impact in the world but focus on England and intensify the search considering banks data from Citibank, Natwest and Santander. According to the analyses the international polices increases in bank scenario, therefore, this study evaluate and measure the necessity of a regulation of a banking system. Also, that analysis, focus on the impact of a regulatory capital, liquidity and efficiency on the banks in its mediation role and assess the leading activity. Following, the capital regulation and the bank's profitability were profoundly analysed to understand the link to the achievement between them. Add on the conclusion of this aim, the risks of the bank system have been studied and evaluated with caution to provide a collection and information and data to clarify the relevance of this study.

2. BANK REGULATION AND SUSTAINABILITY

The banking regulation in UK is controlled by The Prudential Regulation Authority (PRA), which is part of the Bank of England, The UK central bank. The Prudential Regulation Committee (PRC), a committee of the Bank of England which is responsible for the functions practices of the role's bank. The financial Conduct Authority (FCA) is the conduct regulator for the bank sector and also The Financial Policy Committee (FPC), which operates as the macro-prudential regulator for the UK system with the Bank of England.

The financial services and Markets act 2000 (FSMA 2000) defined the legislation to implement to the regulators. The FSMA 2000 is an important part of the UK's legislative work for the financial service regulation and is associated to secondary legislation define the regulatory perimeter, delimit the activities and entities that inside the ambit of UK financial services regulation The financial Conduct Authority (FCA) and The Prudential Regulation Authority (PRA) those two are financial services regulators in the UK responsible for supervise and regulate those entities.

The PRA's general statutory objective is to promote the safety and soundness of PRA-authorized persons. The aim of the PRA's searching and to be sure the business authorized for persons is realized by the way that guarantee there is no action or instability that can affect The UK financial system, thus, reduce the adverse result of a PRA's-authorized person whose can looking forward on the stability of the UK financial system. The PRA was published and beginning to send out to the banking supervision in 2016. Afterwards, this paper has the necessity to be consulted and analysed by the authorising and supervising by the international banks from Europe.

The FCA begins in December of 2015 when have published a document that contain its goals which consists in securing an appropriate degree of protection for consumers,

protecting and increase the integrity of the UK's financial System and promoting effective competition in the interests of consumers in the markets for regulated financial services. The FPC has the responsibility to secure and increase the UK's financial system resilience. Which include identify and supervise the role to reduce the systemic risks. Have the responsibility either to assistance the government's Economic policy.

In order, there are list of relevant points to take a consideration about the guarantee a structural reform in the regulatory system to effect banks. There is compliance with some requirements which involves a relevant business model that includes operational and legal reorganisations. The banks in UK had the restructure about the new process and requirements and started to use the ring-fencing transfer shame. The court requirements applications started in 2017. The Banks are due to develop the resources and increase the security and the cyber security defence. This is the most important sources of legal, regulatory and reputational risk for the banks. The Digital Technologies increase as an important role and have been creating new opportunities and also new challenges for the banks. The bank sector has been enhancing the investments. The UK's banking industry raised from EU a relevant uncertainty in the industry. The difficult of the regulatory framework applying that had a change in the medium and in long term. The EU single market started for the regulatory purposes a third country. In addition the banks to comply with requirements come from EU law and continue implemented legislation that into effect at the time of negotiations for UK-EU settlement.

The Basel committee definition of capital demand that an instrument related to the capital for regulatory objective is to absorb losses in the point of the bank insolvency. The Tier 1 or Tier 2 capital should also be common equity or before the point that shows the assets of the value institution falls down the liabilities value. Those mechanisms explain how to implement in details the instructions for it. The possibility of satisfactory results for the structure instruments.

Consider the Global climate change, global banks has a new strategy to focus on a sustainable growth. The worlds nowadays claims for a change and then the companies including banks have a challenge ahead to implement new rules and actions about themes as transparency, innovation, market solutions and also sustainability. The climate warnings increase in the last years and its effects reflecting in many areas and also making the economic impact in all sectors.

The challenge for the global economy is to reduce the emission of carbon in the planet. The scaling of the financial flows to low carbon solutions is the main difficult of the transition and also it's necessary more investment from the carbon-intensive sectors to make the change. The banks have some responsibilities to achieve to be more transparent and clear about their products and services to create a value for the clients and investors. The necessity of to be align business strategy with the responsibility and sustainability goal. The principles of this work provide for a sustainable banking system to help the industry to evidence how to acquire a positive contribution for the society.

There are accelerating the banking industry's contribution to achieving society's goals as expressed in the Sustainable Development Goals and the Paris Climate Agreement. (UNEPFI, 2019)

In addition, it's necessary to help the clients to realize the chances to make a better world implement a low-carbon economy. There are studies to measure the risks associated with the bank industry and for the clients in diversity of the transition scenario.

According to Bruce and Mearns (2004) identified the importance of addressing the underlying incentive framework in ways that match the complexity and diversity of local livelihood systems rather than out of concern for sustainability that it is not shared, or is defined very differently, by the resource users themselves. Very often, external change agents must understand what else is needed to foster an enabling environment for sustainable land management (so-called tenure +), which may call for supporting interventions to improve access to alternative forms of capital (human, social, physical, and financial). (Sustainable land management challenges, 2006).

In 2015, as part of the launch of Citi's Sustainable Progress strategy, we made a bold, 10-year commitment, our \$100 Billion Environmental Finance Goal, to help reduce the impacts of climate change through environmental finance activities around the world. In 2019, we exceeded our \$100 billion goal, more than four years ahead of schedule, thanks to increasing focus on the need to solve the problem, growth in environmental finance activity in the global market, and the development of new and innovative financial products such as lending linked to key environmental, social and governance indicators. We have also achieved our environmental footprint goals and are on track to achieve our 100% renewable energy goal in 2020. (Citi's annual report, 2019).

In the business scenario is obviously the necessity of profit and the objectives to make the company and the economy grow, but it's necessary to think in a long term, nowadays the people learned the fragility of the economic system with the crisis of corona virus. More than ever the sustainability will be in first point of discussion; the values in human life according to health economic system not focus only in profits but also caring about the social responsibility about human being in the business. The changes already happens before the crisis but this whole situation will accelerate the process to a humanization of the business.

3. REGULATORY CAPITAL, LIQUIDITY AND EFFICIENCY

Bank	Year	TIR 1	LCR	CIR	LENDINGR
Citibank	2019	13,4%	115%	0,02%	0,180205415
Citibank	2018	13,5%	121%	0,02%	0,193484699
Citibank	2017	12.36%	123%	24,11%	0,011356272
Citibank	2016	12.57%	121%	24,66%	0,013514008
Citibank	2015	12.07%	115%	22,53%	0,0141207
Santander	2019	11.65%	142%	59,88%	1,149871071
Santander	2018	11.30%	164%	56,88%	1,145982368
Santander	2017	12.1%	120%	50,88%	0,009684347
Santander	2016	14.0%	139%	50,34%	0,012447778
Santander	2015	14.1%	120%	52,48%	3,235063663
Netwest	2019	18.16%	140%	31,20%	0,914665673
Netwest	2018	20.4%	457%	22,91%	0,822662954
Netwest	2017	23.5%	137%	53,03%	0,946086436
Netwest	2016	16.1%	91%	0,07%	1,079662498
Netwest	2015	11.6%	100%	88,32%	1,093103664

- **REGULATORY CAPITAL AND BASEL ACCORD**

The Basel accord are three parts of the bank regulations, basically is composed by Basel I, Basel II and Basel III. The bank regulations recommendation came by the Basel Committee on Bank Supervision that included recommendations about capital risk, market risk and operational risk. The Basel I accord was introduced in 1988 and focused on the capital adequacy of financial institutions.

The first Pillar is responsible for the most significant innovation of this new proposal: the possibility for banks to use internal models to measuring and managing its risks. Second Pillar¹⁷ defines a supervisory process based on self-regulation, confirming the change in formal policy adopted by the Committee of the Basel. The Third Pillar¹⁸ establishes the market discipline, which serves to strengthen the security and reliability of the banking system, through a broader disclosure of risk exposures and capital levels at such that the industry and investors can better assess the degree of bank solvency. Therefore, for the objective of this Pillar to be achieved, the Committee will have to define the threshold between the information that should be disclosed, and that that should be maintained by banks

In 1974, a group of central banks created the Supervisory Committee Basel banking system following the establishment of a supranational policy banking supervision. This Committee has regulatory authority, but its power actually comes from the implementation of their policies by national banking supervision (Power, 2003)

According to specific corporate theory as the trade-off theory, higher capital reduces bank's risk and increase profitability, or rather the amount require to cover the premium request from investor in the hypothesis of the bankruptcy cost. Conforming to this theory, bank should hold an optimal level of capital, which works as a trade-off between benefits and costs. However, due to the increases capital requirement imposed by the regulations, banks are often require to hold higher capital respect to their optimal value. Furthermore, bank's capital optimal value is likely to vary and increase if there is the risk of distress, making the relationship between capital and profitability eyelevel (Osborn et al, 2012).

As a consequence when the Basel Committee on Banking Supervision was created, the risk of credit ¹¹ was the main player in the financial market. The Basel Committee stipulated a regulatory capital of 8% of the risk –weighted asset for mitigation, A little later, this percentage also started to be considered for the market risk¹². This rate was arbitrated without the use of scientific research or data collected, based only on good practices of some banks, which at that time were based on the concept of economic capital (Coleman, 2002).

Eventually, the banks began to complain about the way calculation of regulatory capital. The banks have a question about the arbitrariness of the rate and the lack of discrimination between the different risk profiles according to their specific business areas. In addition, many institutions considered their efficient risk management, and believed that regulatory framework set down a disadvantage front the banks because the committee required more capital than the necessary to be reserved (Power, 2003).

The Central banks and the Basel Committee were influenced by these visions, and beginning the development of a new strategy, recognition for the first time the calculation of regulatory capital based on models and risk systems defined for banks, enabling the use of structures more allowed to risk. Consequently, there was a significant change in conduct by regulatory bodies, at least in terms of formal policy: passing a command and total control posture, a more coherent way with ideas of self-control¹³. In any case, banks continue to be regulatory capital requirements, but the calculation method would be according to their only models (Power, 2003).

The greatest example towards this new trend was implemented in 1996, when the Basel Committee allowed the use of internal models for the calculation capital reserve against exposure to market risk. The capital in this case, it started to be calculated as VaR¹⁴ (value-at-risk), with 5% significance, of the distribution of losses and profits (Coleman, 2002; Power, 2003).

These new guidelines, combined with the financial scandals that occurred in the mid-1990s directed the Basel Committee to rethink the Current capital. The Basel Committee considered that capital required for credit risk covered the other types of risk. How to pass of time it was found that other risks besides those of credit and market could be substantial. Therefore, the operational risk was explained in the New Basel Capital Accord (Basel 2). The proposal is based on three pillars, which will allow banks and regulators a better assessment of exposure to risks inherent in the financial market.

The New Agreement aims to reach, in the first place, the banks internationally active, but should be applied throughout the system Bank officer. It will be up to the national banking supervisory bodies to ensure that banks are punished with prudent administrative measures if they are not implement the New Basel Accord by the end of 2007 (New Accord, 2004; Guimarães, 2003).

This New Agreement is not simply an adjustment to the best practices of industry, as was done for credit and market risk. Now, it's the Basel Committee who is trying to define best practices, based on basically on the definition of operational risk (Herring, 2002).

• DEFINITION OF OPERATIONAL RISK

According to Power (2003), without a system of concepts and taxonomies standards, any intervention practice is blind, disorganized and questionable. Therefore, from the mid-1990s, the work of defining and determination of the hitherto residual concept of operational risk has become necessary for the establishment of new limits of knowledge and practices associated companies (Power, 2003).

The perception of internal control is the starting point when thinking about operational risk, and in an attempt to prevent unexpected losses (Power, 2003). The scope of operational risk can be defined by a list of areas of risk. This list can be quite narrow when the focus is on aspects back office technicians, such as: security, systems, control processes and human Resources. A broader scope would include areas of legal risk¹⁹ reputational²⁰ and strategic²¹. An even broader scope would consider all risk areas other than market and credit. That would make it difficult management, but it would have the merit of completeness (Power, 2003).

However, the concept of operational risk does not depend only on the scope, but also in its meaning for hierarchies of the management. Undoubtedly Basel 2 is a project for repositioning responsibilities of senior managers, leading to management fragmented of different parts of operational risk inside and outside the institution. This establishes a new role for banks: the risk manager operational (Power, 2003).

The banks that consider a residual definition of operational risk, has not established specific functions for its management. Others, whose definition is more selective, direct its management to internal controls, and therefore in those specific roles. So, a definition and the operational risk management jurisdiction are closely related (Power, 2003).

A survey conducted by BBA [1] and Cooper & Lybrand in March 1997 adopted a more selective definition based on errors of systems and processes. Following the same line, in January 2001 or Committee of Basel (2001a) defined operational risk as: "the risk of direct or indirect losses resulting from flawed or inadequate internal processes, people and systems, or external events ". Some comments on this definition: Includes legal risk, reputational risk and strategic. A negative view of the realization is the risk as a loss rather than a more neutral concept of variability (Gigerenzer, 2002; Lewis, 2003).

The difficulty of identify indirect losses and costs in the opportunities arising from operational failures. Focus on the cause of the loss. Although the market has accepted the above definition, the ethereal concept indirect losses, and the lack of regulatory capital to cover all losses indirect costs and opportunity costs led to a change in the definition of risk operational. So in September 2001 the new definition became: "the risk losses resulting from flawed or inadequate internal processes, people and systems, or external events. Thus, the new definition continued including legal risk, but left the strategic risk [20] and the reputational risk from outside (Nyström & Skoglund, 2002).

According to the definition of operational risk, the focus of the loss is on the cause, and not in effect. Otherwise, there would be problems with the causality, because an effect can be generated by more than one cause.

Comparing operational risk with the well-defined risks of market and credit, aiming to understand it better, there is a significant difference regarding the risk x return ratio. Institutions can increase the value of the premium by accepting more market or credit risks higher, since in this case the greater the risk the greater the return. The requirement risk-sensitive capital then has a direct impact on the incentive to accept greater risks. On the other hand, operational risk only has the aspect of loss, that is, accepting a higher operational risk, there is no increase in the value of the premium. It is simply a type of expenditure that institutions try to minimize to a point where the cost to realize this reduction is justified (Herring, 2002).

• CAPITAL ALLOCATION FOR OPERATIONAL RISK

In the first Pillar, banks need to constitute the capital reserve for protection against operational risk. Already at According to Pillar, self-regulation must ensure that internal processes are solid enough to ensure quantitative and effective qualitative analysis of operational risk. Since you can only manage what you can measure, you need to

establish methods for the calculation of operational risk, thus ensuring the consistency required by the Second Pillar, as well as the minimum required capital required by the First Pillar. Therefore, the New Agreement presents three approaches to calculating capital for operational risk, on an increasing scale of sophistication and risk sensitivity:

Basic Approach (Basic Indicator Approach - BIA)

Standardized Approach (Standardized Approach - SA)

Advanced Measurement Approach - AMA

The selection of these approaches follows an evolutionary rule, once a bank has chosen a more complex approach, it cannot go back to the simplest (process of switching approach in a single sense). An exception is made when the supervisor observes that the criteria qualitative prerequisites for an approach are not being met.

In this situation, the supervisor may determine that the institution simpler approach, until the return conditions for the approach more complex to be achieved (Basel Committee, 2004).

Banks that adopt the AMA will be able to use insurance²² as a factor mitigation of operational risk for the purposes of required capital, provided that exceeds the limit of 20% of the total capital allocated to operational risk, and that the bank complies with some criteria²³ (Basel Committee, 2004).

• LIQUIDITY AND LENDING EFFICIENCY

In 1919, Alexandre Wall developed a model of analysis of statements accounting through indicators. The relationship between accounting accounts was a methodology that gathered some indexes and parameters for balance sheet analysis and performance evaluation financial management of companies (MATARAZZO, 2003). According to Ludícibus (2008) considers the technique of financial analysis by means of indices as a most important developments in accounting, as it allows the analyst verify what happened in the past and provides inputs to indicate what may happen in the future.

Accounting liquidity is the ease and speed with which assets can be converted in cash (ROSS et al, 2002). Current assets are the most liquid, including cash and assets that can be transformed into cash in the short term, that is, within one year of balance sheet data (MARTINS et al, 2013).

The liquidity indicators aim to measure the payment capacity (financial slack) of a company, that is, the possibility to fulfill the passive obligations assumed (ASSAF NETO, 2012). When a company has sufficient cash flow, it tends to be able to avoid defaulting on its financial obligations (ROSS et al, 2002).

Credit analysts use several liquidity ratios in their analyzes since the they are able to inform the capacity and availability that the company has to pay its obligations, since liquid assets can be converted into cash in an fast and cheap. (BREALEY et al, 2013).

The liquidity indicators, however, present a significant constraint, which is their static position. They do not reflect the magnitude or the time when the different circulating entrances and exits (ASSAF NETO, 2012). In reality, traditional indicators liquidity statements express a financial position at a given point in time (on the date of survey of values) and the various values considered are continually changed in accordance depending on the natural dynamics of the company's business or even the situation of the sector whose company is located. It is worth mentioning that, in order to effectively reach reliable conclusions from our environment economic, it is important that information from financial statements with full restatement and present value, that is, restated monetarily (ASSAF NETO, 2012).

Activity indicators, in turn, are built to measure the effectiveness with which a company's assets are managed (ROSS et al, 2002). Aim at measuring the various durations of an Operational Cycle, which involves all the usual operational phases of a ranging from the acquisition of raw materials to the receipt of sales made (ASSAF NETO, 2012). They are also known as efficiency meters, shows how efficiently companies use the many types of assets they have control over (BREALEY et al, 2013).

The main observation, however, when calculating activity indicators, is regarding the average asset values used in said calculations. In the various measures of available efficiency, the use of average assets is considered in their calculation expressions, whether stocks, amounts payable or receivable. This evaluation method, avoiding, whenever possible, the use of the arithmetic means that in high periods involving only two extreme values. In this sense, the ideal for analysis is the calculation using average of shorter and constant periods of the fiscal year, as months or quarters (ASSAF NETO, 2012).

The impact of liquidity coverage Ratio (LCR), suggest that not leading and the products should be so much affected by the imposition of LCR. Trough, another studies based on simulations suggests an important large impact of liquidity demand of loans which decay in credit align from 3% to 26% although, those results are frequently lead by a particular assumption.

Before the 2008 financial crisis, financial institutions of all types and sizes underestimated liquidity, giving little or no value to the availability of funds. But during a crisis, many of these substances suffered to maintain adequate liquidity, or which cause bank failures and need databases, inject liquidity into national financial systems, such as the economy or the economy.

When the crisis started to decrease, one thing became clear: banks and capital markets companies needed to better manage their liquidity. And self-preservation was not the only reason for doing this; the consequences of poor liquidity risk management can go far beyond the organization itself and affect the entire financial ecosystem or even the global economy. Regulators are done their part to prevent another financial crisis in the, and the burden is now on the financial institutions themselves, who need to strengthen their liquidity risk management for both the company and the company economy.

4. THE IMPACT OF REGULATORY CAPITAL ON PROFITABILITY

The financial crises in the country system imply great damage to society, due to its role as financier of the other economic segments and its possibility to create currency. Additionally, the dispersion and low level of information of creditors in this sector, depositors, make us practically unable to monitor it. Such peculiarities would be sufficient to justify the differentiated existence of regulation and monitoring of the financial system. However, take into account the fact that the creation of a stable financial system presents costs direct - the expenses of the supervisory entity, for example - and indirect, given the distortions that are may result, such as the inefficiency induced by regulatory models that are based on hypotheses whose basis is not the maximization of bank profits (COSTA, 1999).

Taking into account such distortions, many studies have focused on the effect of instruments regulation in banking decisions. Among these instruments, the requirements for capital, the banking regulation model currently most widespread at the international level. Studies that assess their impact on banking behavior from a theoretical perspective can be classified in three main perspectives: that of the bank as a portfolio manager (Kim and Santomero, 1988), that of incentives for taking risks under asymmetry informational (Giammarino, 1993) and that of incomplete contracts between depositors, bank managers and shareholders (Dewatripont and Tirole, 1994). Such formulations, although their very different approaches, have in common a glimpse of the possibility of capital requirements efficiently designed to reduce agency problems and excessive investment in risky assets. However, they are based on very general assumptions and point to optimal regulation schemes that many authors consider unfeasible (FREIXAS; SANTOMERO, 2004).

Nevertheless, the analysis of the bank as a portfolio manager justified the elaboration, in 1988, of the Basel Accord (BASEL COMMITTEE ON BANKING SUPERVISION, 1988), international framework in the definition of capital requirements, which provides that banks must hold capital levels compatible with the risk of the assets to which they apply. From then on, more specific studies were elaborated, favoring the search for empirical evidence, the impact of new regulation in the decision to allocate bank assets. Basel Committee on Banking Supervision (1999) compiles a series of papers that focus on G-10 countries, assessing whether the Agreement reduced the risk of the financial system and also whether a drop in credit supply or a reduction in the competitiveness of banks in relation to other forms financial intermediation can be considered its side effects. The evidence found indicate that the implementation of the Agreement may have induced banks to raise their levels capital and, in some countries, limited credit supply in periods of economic weakness.

5. THE BANK RISKS

The risk broker is a key component of governance and sustainability of a financial institution in normal times. On the other hand, in the crisis scenario, banks intensify their liquidity and capital alert and exercise their levels of resilience. Also, the behavior of deteriorating factors in credit portfolios. No operational risk limits, elements of emerging risks (security, heredity and crisis management) In addition to monitoring with the requirements of regulators and controls in the line of defense.

A reduction in the volume of trades, even if temporary, can generate significant effects on the daily market, affecting important financial and economic indicators. Managing

the business flow management box becomes a challenge. Effects on default probability, rating, macroeconomic data and forward-looking information related to the analysis of a significant increase in credit risk.

The liquidity risk derives from the probability that the bank is unable to respond to the request for cash from the depositors, risk not to be confused with the bank solvency question (Dahir et Al., 2019).

Financial Institutions have, over the years, improved their way of risk management, and this restructuring is making this activity increasingly complex. These Financial Institutions are very important both for companies and for society in general, which operates the financial resources of the market, making available to borrowers who spend (VIEIRA, 2007).

The financial market is a risk sector, both for borrowers and for investors, but also Financial Institutions are at risk, be they market risks, operational risks or credit risks. The article is based on the latter, since a big question arises in relation to credit risk.

According to Amaral, Neves, Freitas et al (2009), the idea of risk can be described as a situation in which there is a more or less predictable likelihood of loss or gain. For Securato (1996), the risk for one institution may be considered acceptable, while for another it may not be. Bank risks are classified into:

- Market Risk - the market risk is related to the risk of a bank having a small or even negative spread in its financial intermediation operations, due to the fluctuations in market interest rates (PAULA, 2000).
- Operational Risk - occurs due to human or technological failure, or due to process inadequate internal control, which causes loss to the institution. According to Mendonça et al. (2007) operational risk is a risk category that is closely related to events low frequency and high severity.
- Credit Risk - Blatt (1999) defines credit risk as the possibility that granted credit does not receive it from the debtor at the time and / or under the agreed conditions.

The historical process has shown that a country's economic stability is closely linked, among other factors, to a solid financial system, and this solidity is perceived when the components of the system, in addition to executing their traditional functions of financial intermediation, meeting the expectations of its customers, as well as maintaining an acceptable confidence standard in the market. Among as institutions that are part of the financial system, more importantly, both historically and in terms of financial intermediation is the bank. (Schlottfeldt, 2004).

6. CONCLUSION

This report conclude that the financial institutions have the majority of their profits generated through the granting credit to those in need, and over the years they have been looking for mechanisms to more efficiently manage the risks demanded by this activity. It was proposed in this article to demonstrate banking risk through the relevance of a credit analysis in the granting of credit and the consequences for financial institutions of bad credit. Despite operational and market risks, which also

make part of banking risk, emphasis was placed on credit risk, as it covers a wider range study possibilities and be the main risk of a financial institution.

The granting of a credit goes through several stages as previously described and risk is inserted in each of them. Since applying for a credit, there is already a risk that presented documentation does not mirror the truth, for example. In the steps of making decision that are two of the five mentioned, the risk is analyzed by two different systems, scoring system and the expert system. Formalization itself poses a risk if the guarantee offered will not be degraded, either by loss of quality or by depreciation. In addition to the risks that occur in granting credit, there are risks that exist until the policyholder honors with all commitments made, until the policyholder pays the last portion. A credit granted without a precise analysis brings to the financial institution losses in the institution's equity, it brings a provision for doubtful accounts, its effort to raise funds in the market, invest these resources, generate revenue will be impaired by the loss of the amounts granted. The participation of default in the composition of its interest rate will increase, and it will be forced to decrease its gain increase the interest rate, which would cause it to lose revenue and also lose market, since what most differentiates one financial institution from another these days are the rates they charge.

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