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LE CANAL DIRECT DE LA DISCIPLINE DE MARCHÉ - UN MODÈLE D'INCITATION

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ABSTRACT

A straightforward method to enhance market discipline in banking, as it has been discussed in the US since the early 80s, is the *Mandatory Sub-debt Policy*. This policy proposal suggests a *modus operandi* of market discipline based on two main channels. First, a *direct* channel, activated *via* the cost of issuing sub-debt securities, which theoretically should be sensitive to the bank risk profile. Second, an *indirect* channel, effective so long as the supervisor imposes constraints on bank behavior in function of the prices formed in the *secondary* sub-debt market. The article proposes an illustration of the direct channel transmission mechanism based on a simple incentive model of the banking firm.

JEL Classification: G15; G21; G28

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