

## **(Ab)Use of Repo Transactions and Similar Methods of Tailoring the Balance Sheets in the Banking Sector**

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The ongoing financial crisis mixed with the complexity of the modern financial (sub)system often induces one to a simplified criticism of the entire (sub)system. Even though we can agree on a general level that „something is wrong“ the debate ends early on and (too) often does not go beyond this point. However, without a clearly identified problem we are doomed to the so called "vicious frustration cycle". Taking this into account, the paper identifies two specific problematic practices linked to repo transactions and loan agreements. In a certain context otherwise completely legal forms of repo transactions and loan agreements, become not only problematic, but potentially illegal. The notorious "Repo 105" transaction is used as a reference point for analyzing a similarly problematic practice of temporary loan agreements in the banking sector with the intent to formally avoid forming special reservations. The primary, if not the sole aim, of both contentious practices is a temporary improvement of the financial metrics and balance sheets, the final goal being a greater (undeserved) yield for the management teams in the form of bonuses and capital gains.

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