

## **Credit Default Swaps and the Global Financial Crisis: Reframing Credit Default Swaps as Quasi-Insurance**

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*Credit Default Swaps coupled with asset-backed financial products were heavily traded in the years preceding the Global Financial Crisis. Intended for sophisticated investors, Credit Default Swaps prima facie are in the nature of insurance contracts, although they operate outside the scope of the regulation governing insurance. This paper adopts a lexonomic approach to take an initiative to develop a regulatory framework for Credit Default Swaps in order to prevent a similar crisis. Inter alia, one solution is to regulate Credit Default Swaps together with insurable interest and an “excess” in order to minimize moral hazard. The objective behind the excess is to discourage negligent lending.*

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