The recent global financial crisis demonstrated some new factors in terms of its roots: widespread implementation of complex and nontransparent financial instruments, the high level of national and cross-border interconnectedness of financial markets, banks and institutions, the high degree of leverage of financial institutions and the role of the household sector. During financial crises, asset prices and credit booms and busts differ from the movements of a normal business cycle: booms are shorter and more intense than other upturns, and crunches and busts are longer, deeper and more violent than regular downturns. The violent episodes last longer [15]. Reinhart and Rogoff [16] distinguished two groups of crises, both including two types. The global financial crisis (GFC) refers to the period of extreme stress in global financial markets and banking systems between mid 2007 and early 2009. During the GFC, a downturn in the US housing market was a catalyst for a financial crisis that spread from the United States to the rest of the world through linkages in the global financial system. Many banks around the world incurred large losses and relied on government support to avoid bankruptcy. As for all financial crises, a range of factors explain the GFC and its severity, and people are still debating the relative importance of each factor. Some of the key aspects include: 1. Excessive risk-taking in a favourable macroeconomic environment. 3. Global Financial Crisis, 2008â€“2009. 4. Financial crises—History—21st century. I. Rochet, Jean-Charles. II. The recent financial crisis was a mix of "unique" and much more conventional events. This short book offers our perspective on what happened and especially on the lessons to be learned in order to avoid a repetition of this large-scale meltdown of financial markets, industrial recession, and public deficits. Chapter 2 provides a diagnosis of what went wrong and discusses some key nancial regulation reforms.