

The Reform of Global Financial Regulation

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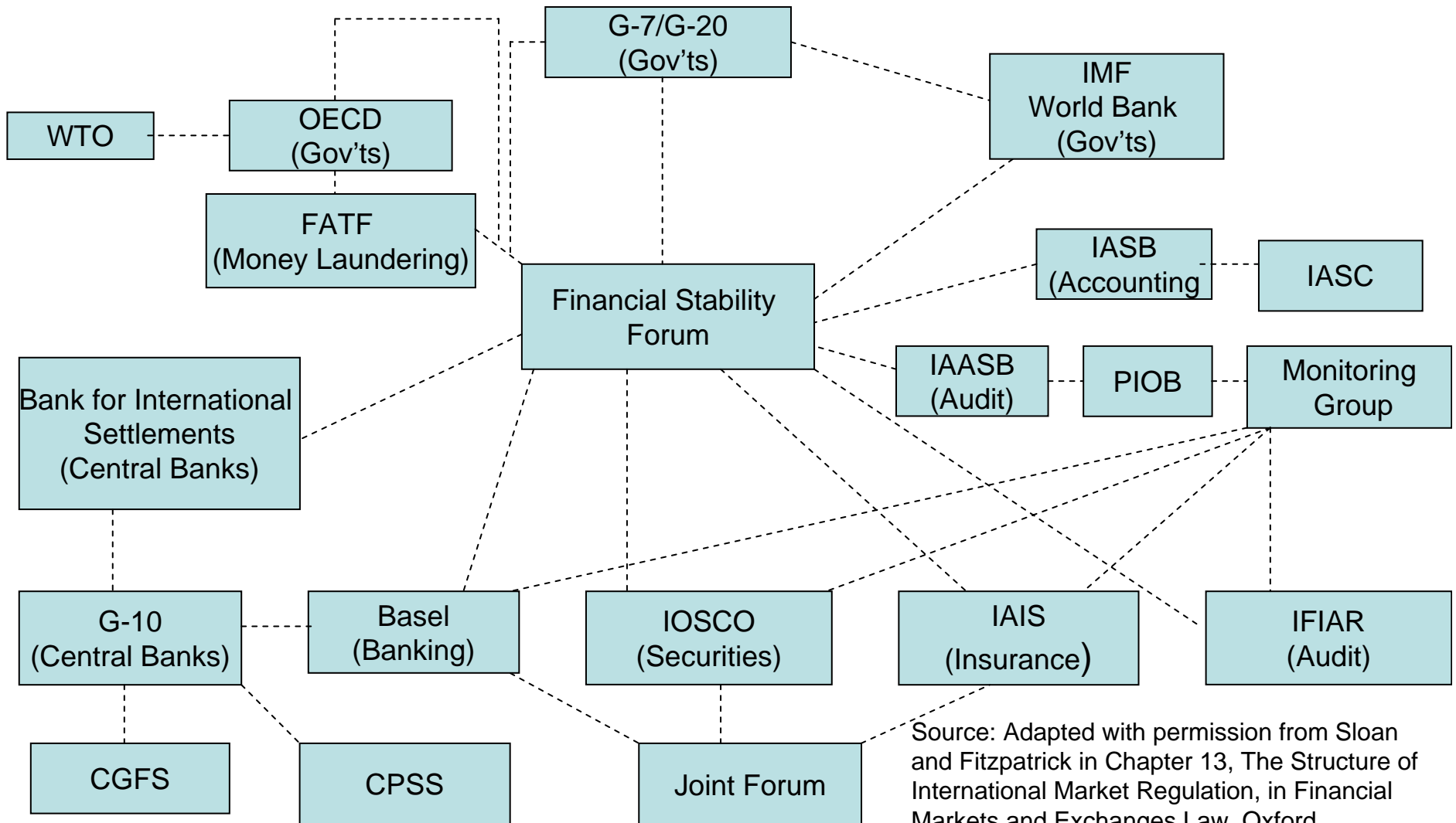
Co-author with Sir Howard Davies of “Global Financial Regulation : The Essential Guide”. Polity Press 2008

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1. The Objectives of International Financial Regulation
2. The Current International Regulatory System: Theory and Practice
3. The International Financial Institutions and their Role in Financial Regulation
4. The European Union: A Special Case
5. Regulatory Structures in Individual Countries
6. The Debate on Regulatory Structure
7. The Need for Reform

Chart Three

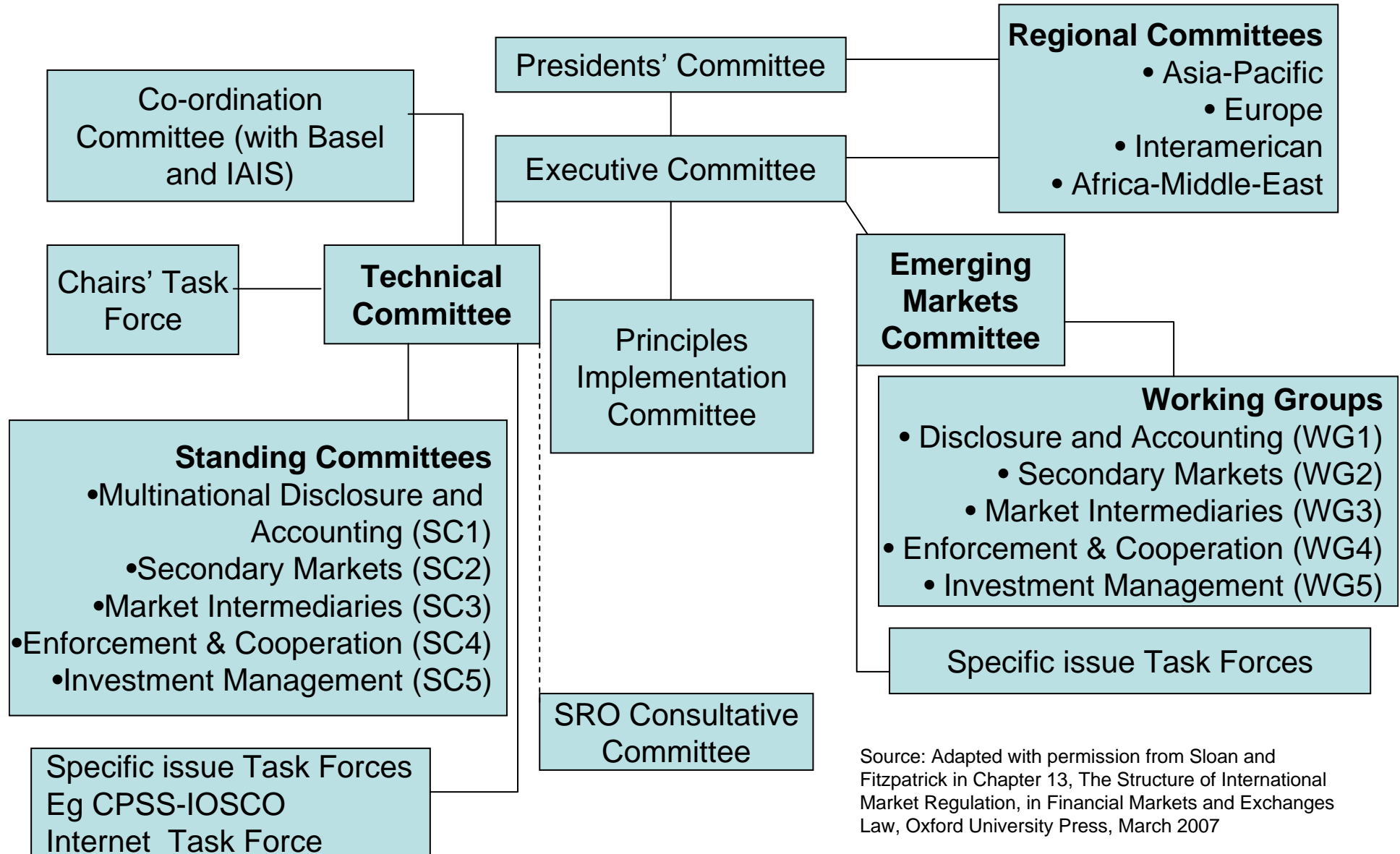
Global Committee Structure - A Regulator's View



Source: Adapted with permission from Sloan and Fitzpatrick in Chapter 13, The Structure of International Market Regulation, in Financial Markets and Exchanges Law, Oxford University Press, March 2007

Chart Four

IOSCO Structure



Source: Adapted with permission from Sloan and Fitzpatrick in Chapter 13, The Structure of International Market Regulation, in Financial Markets and Exchanges Law, Oxford University Press, March 2007

Key Issues to address

1. The Role of Markets
2. The Future Role of the State
3. Balanced Legitimacy and Efficiency
4. The Global/National Balance
5. How Should the Key Roles of International Regulation be Distributed Among the International Financial Institutions
6. How “Tough” should Regulation Become
7. The Borders of Regulation

The Problems

- Over-complex, with obscure relationships between bodies
- Lack of leadership
- Questionable legitimacy : e.g. Luxembourg but not China in Basel Committee
- Confused accountability : e.g. G10 Governors oversee Basel Committee
- Too many warnings : too little action

Some Other Global Issues

- Reformed accountability of the international accounting and auditing standard setters
- International actuarial standards
- Oversight of the global audit networks
- Consistent global insolvency arrangements

Some Solutions:

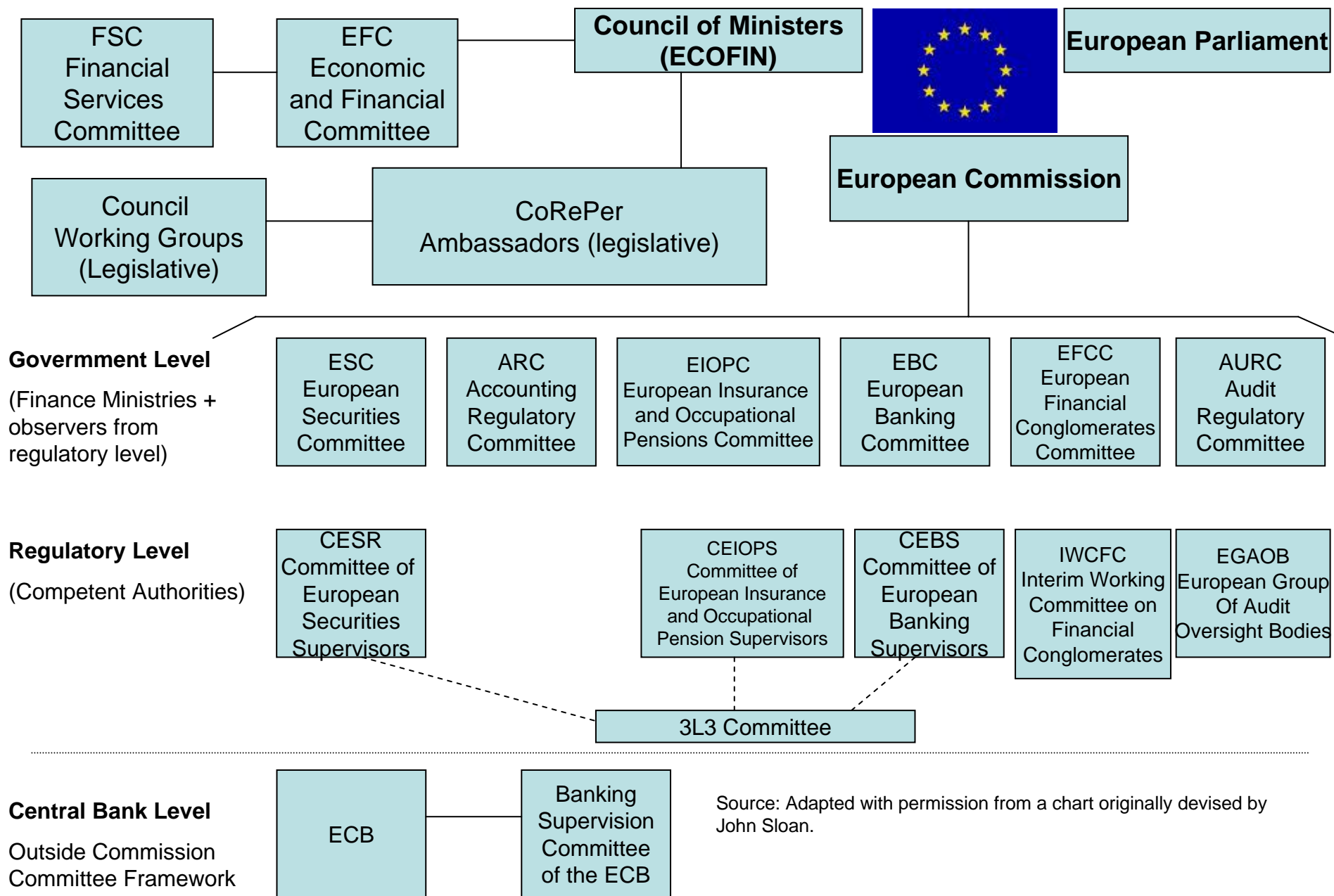
- Simplification exercise led by FSF
- G7/G20 to take the lead
- Financial Stability Council the key mechanism
 - Strengthened secretariat
 - Directing role
 - Co-ordination of financial stability reports
- Revise committee structures to bring in China, India, Islamic Finance, with reduction in EU membership
- Consolidate secretariats in Basel
- New accountability arrangements for Basel Committee
- New standing group to oversee Hedge Funds and Private Equity

And...

- US regulatory reform

Chart Five

European Committee Structure



The Problems

- Conflicting motives of different players – financial services firms, users of financial services, politicians, regulators, winners, losers
- Absence of agreed objectives for single market
 - Removing barriers?
 - Providing level playing field?
 - Identical rules for all?
- Patchwork of initiatives
- Uneven implementation
- Patchwork of regulators/proliferation of committees
- Uncertainty about cross-border crisis and insolvency

Some Solutions

- Fresh look at objectives – what are we trying to do
- Processes needed for deciding what convergence means
 - Identical in form
 - Identical in outcome
 - Sufficiently similar for others to rely on
- More centralisation of supervision within and cross sector
 - Coordination of “colleges”
 - Single authority for pan-European rules and uniform supervisory procedures *where needed*
- Clarifying responsibilities for “financial stability” and cross-border insolvency