



LSE Book Launch

Global Financial Regulation: The Essential Guide

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Global Financial Regulation **The Essential Guide**

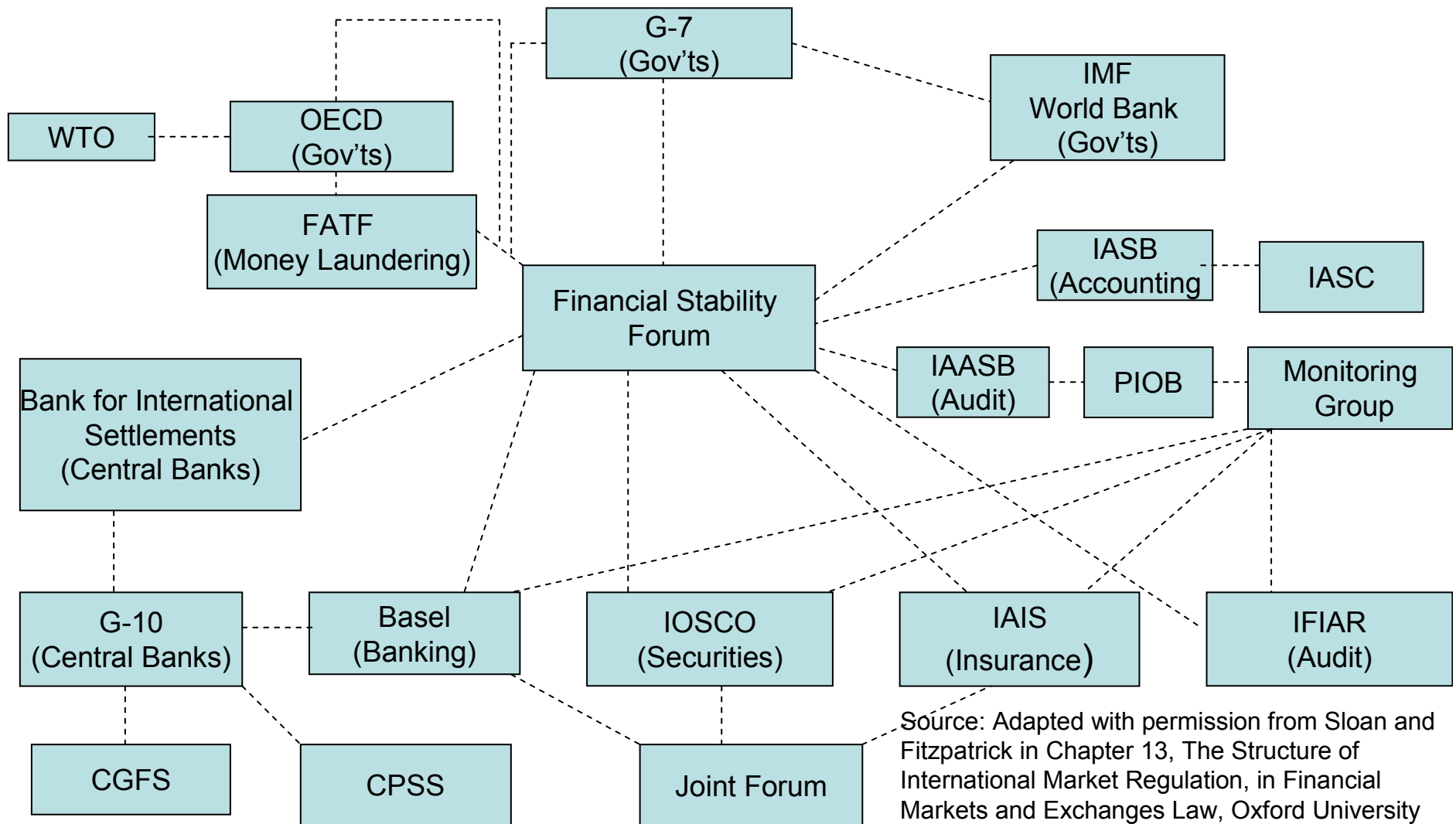
Howard Davies & David Green
1st May 2008

Contents:

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

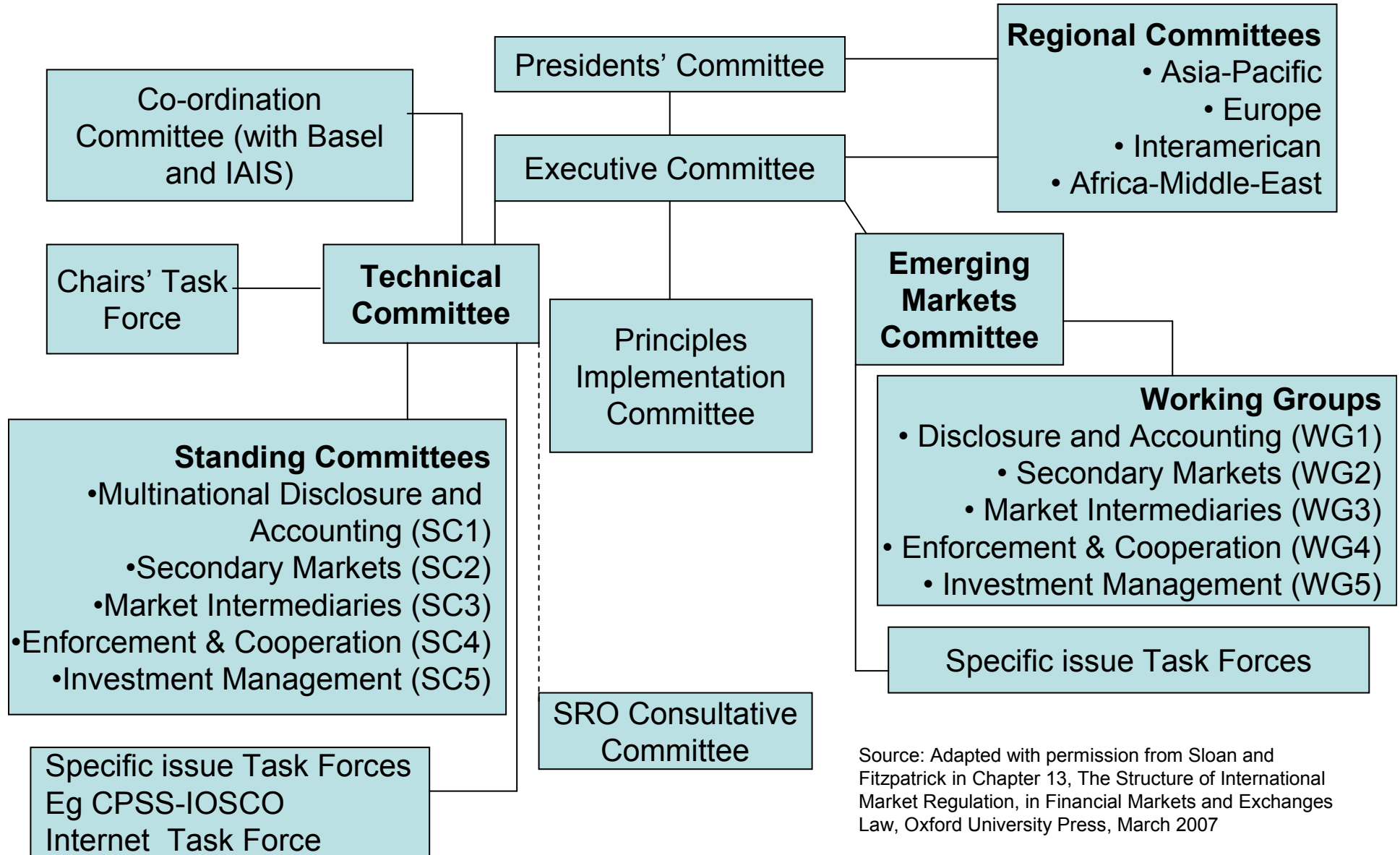
Global Committee Structure - A Regulator's View



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

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 Solutions:

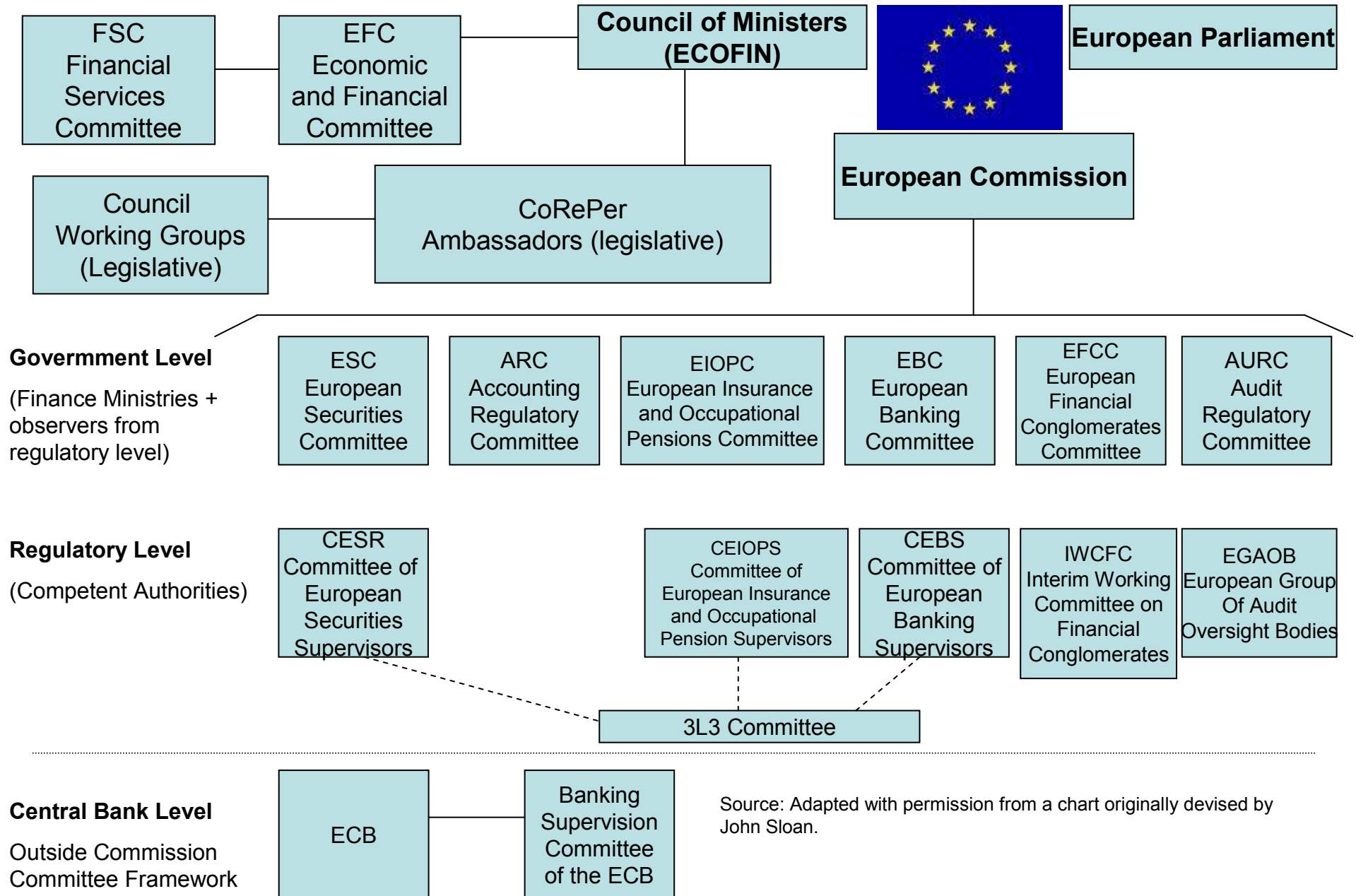
- Simplification exercise led by FSF
- G7 to take the lead
- Financial Stability Council the key mechanism
 - Strengthened secretariat
 - Directing role
 - Co-ordination of financial stability reports
- Revise committee structures to bring in China, India, Islamic Finance, with reduction in EU membership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