LSE Book Launch

Global Financial Regulation: The Essential Guide

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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

- Presidents’ Committee
  - Executive Committee
    - Regional Committees
      - Asia-Pacific
      - Europe
      - Interamerican
      - Africa-Middle-East
    - Emerging Markets Committee
      - Working Groups
        - Disclosure and Accounting (WG1)
        - Secondary Markets (WG2)
        - Market Intermediaries (WG3)
        - Enforcement & Cooperation (WG4)
        - Investment Management (WG5)
    - Principles Implementation Committee
    - Co-ordination Committee (with Basel and IAIS)
    - Technical Committee
      - Chairs’ Task Force
      - Standing Committees
        - Multinational Disclosure and Accounting (SC1)
        - Secondary Markets (SC2)
        - Market Intermediaries (SC3)
        - Enforcement & Cooperation (SC4)
        - Investment Management (SC5)
    - SRO Consultative Committee
      - Specific issue Task Forces
        - Eg CPSS-IOSCO Internet Task Force

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
European Committee Structure

Chart Five

- European Parliament
- European Commission
- Council of Ministers (ECOFIN)
- Council Working Groups (Legislative)
- Ambassadors (legislative)
- Government Level (Finance Ministries + observers from regulatory level)
  - ESC European Securities Committee
  - ARC Accounting Regulatory Committee
  - EIOPC European Insurance and Occupational Pensions Committee
  - EBC European Banking Committee
  - EFCC European Financial Conglomerates Committee
  - AURC Audit Regulatory Committee
- Regulatory Level (Competent Authorities)
  - CESR Committee of European Securities Supervisors
  - CEIOPS Committee of European Insurance and Occupational Pension Supervisors
  - CEBS Committee of European Banking Supervisors
  - IWCFC Interim Working Committee on Financial Conglomerates
  - EGAOB European Group Of Audit Oversight Bodies
- Central Bank Level (Outside Commission Committee Framework)
  - ECB Banking Supervision Committee of the ECB

Source: Adapted with permission from a chart originally devised by John Sloan.
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