



LSE Book Launch

Global Financial Regulation: The Essential Guide

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Global Financial Regulation

The Essential Guide

Howard Davies & David Green

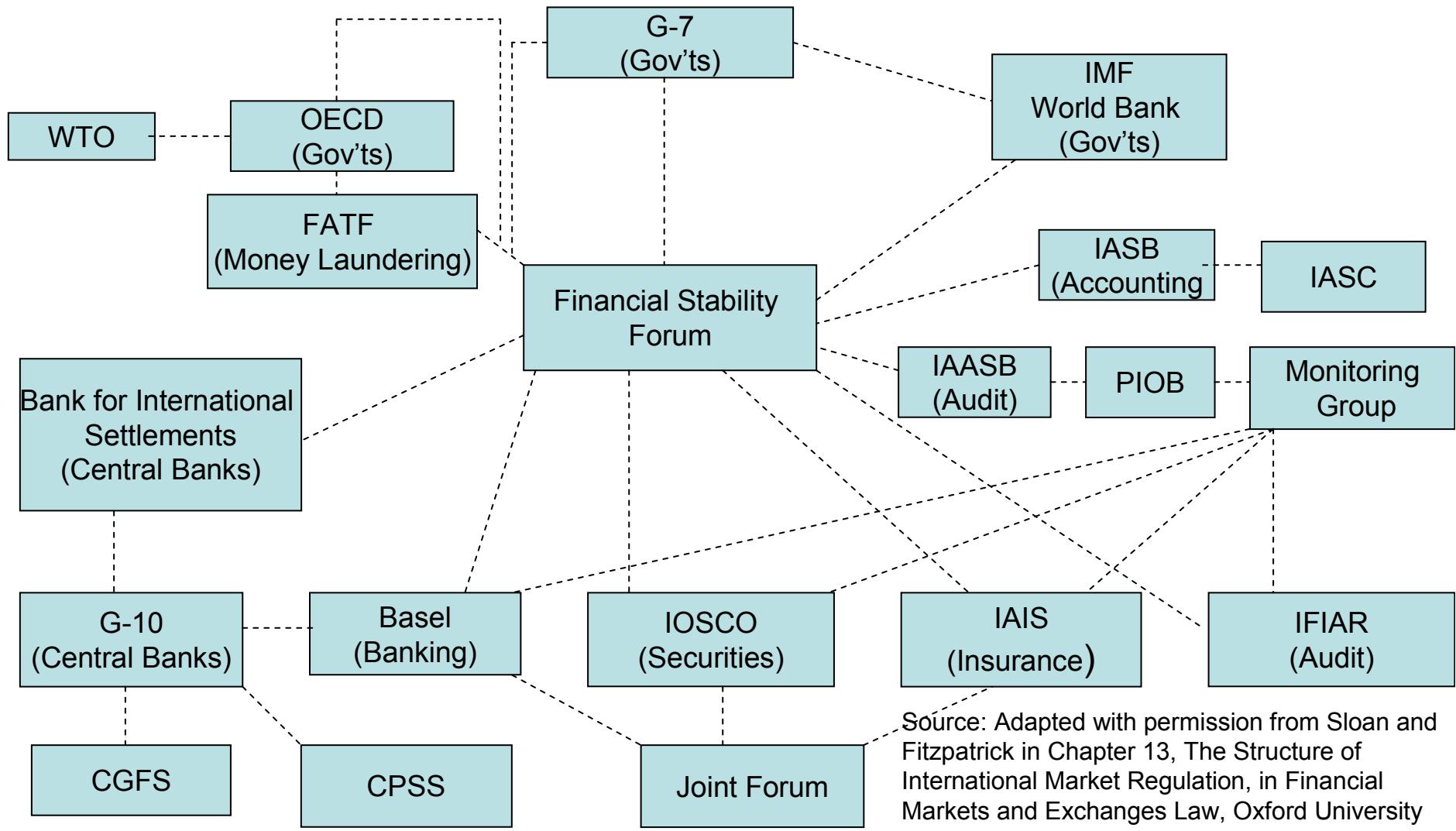
1st May 2008

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

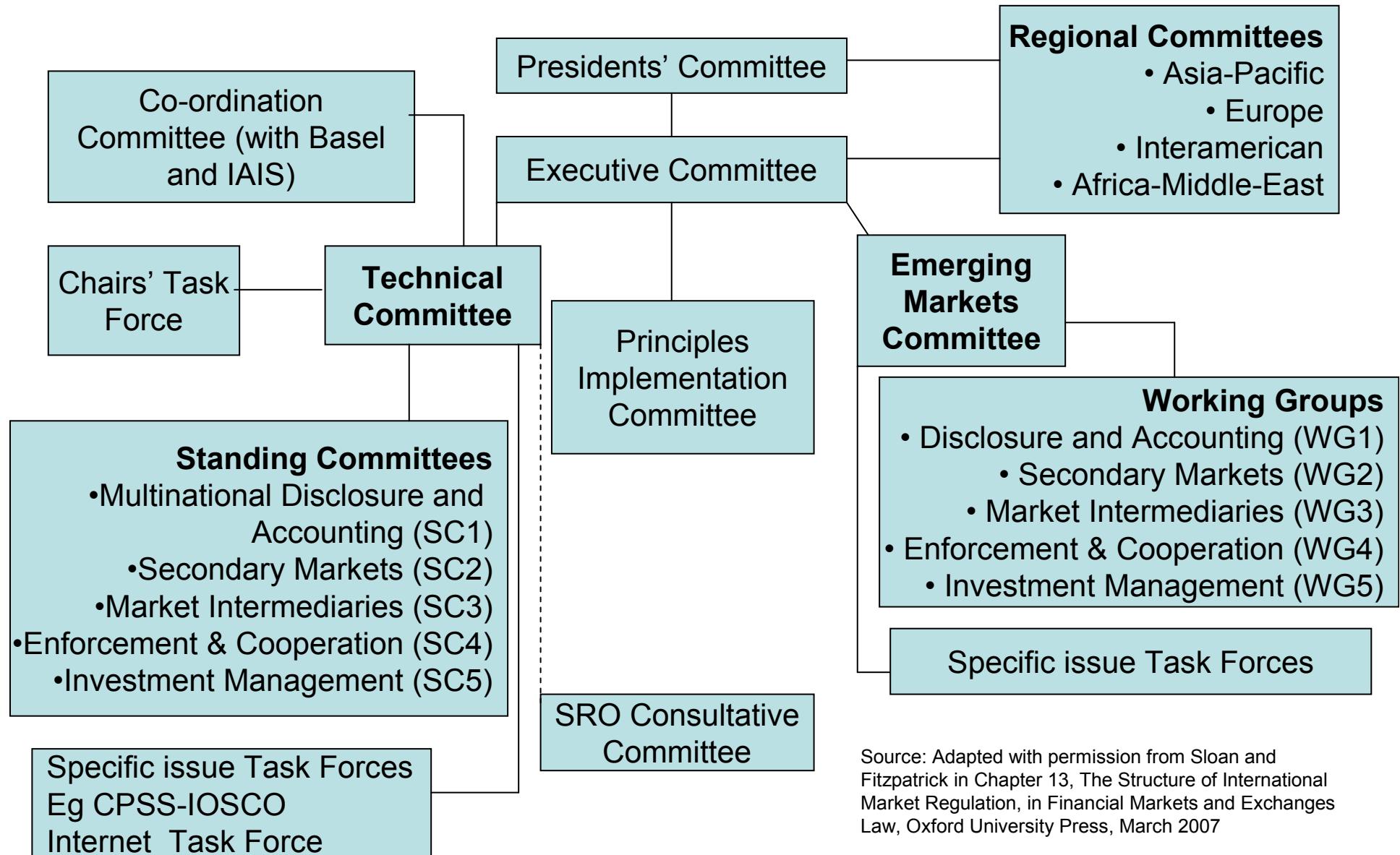
Global Committee Structure - A Regulator's View



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:

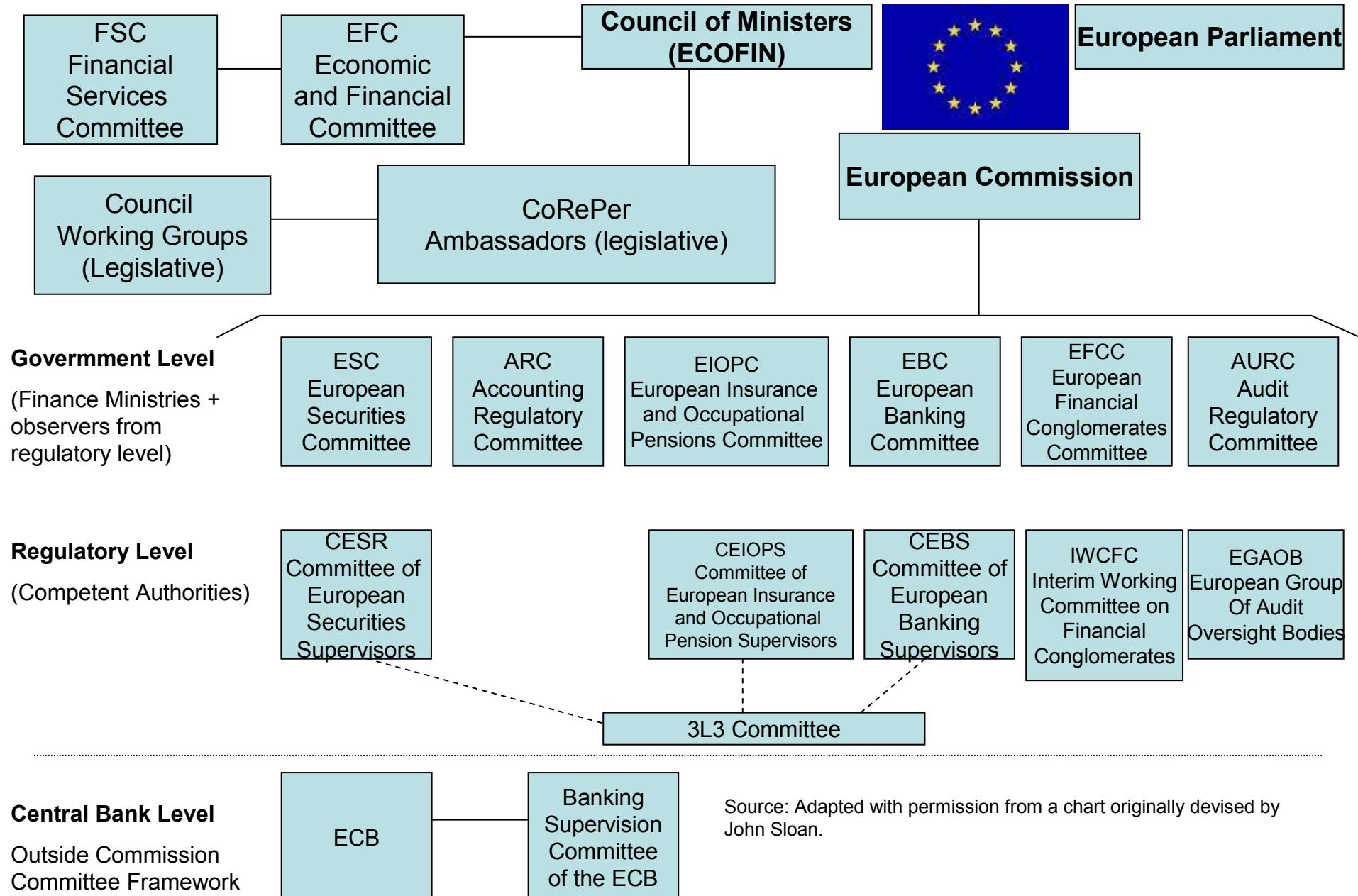
- Simplification exercise led by FSF
- G7 to take the lead
- Financial Stability Council the key mechanism
 - Strengthened secretariat
 - Directing role
 - Co-ordination of financial stability reports
- Revise committee structures to bring in China, India, Islamic Finance, with reduction in EU membership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