



Global Financial Regulation: Ambitions and Realities

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The Rise of Global Financial Regulation

- **1931:** Bank for International Settlements
- **1945:** International Monetary Fund
- **1973:** International Accounting Standards Committee
 - Transformed into 2-tier structure (IASB / IASC Foundation) in 2001
- **1974:** Basel Committee on Banking Supervision
- **1983:** International Organization of Securities Commissions
- **1988:** Basel I Capital Accord
- **1999:** Financial Stability Forum
- **2002:** EU Regulation on IFRS Adoption
- **2004:** Basel II Capital Accord
- **2008:** First Summit of G20 Leaders
- **2009:** Financial Stability Board



The Global Agenda

- **Has grown into distinctive item of global economic diplomacy**
 - Alongside global macro / monetary policy; trade; and (tentatively) climate change
 - Core issues:
 - Bank capital, leverage, liquidity, risk management
 - Crisis prevention / management / resolution for banks and “non-banks”
 - Capital markets infrastructure
 - Accounting standards
 - Border issues:
 - Taxation of financial activities
 - Financing / laundering of criminal activities
 - Capital controls
- **But much weaker underlying economic analysis**



Current Underlying Trends

▪ **Pre-crisis**

- Rise of emerging economic powers
 - More inclusive
 - Additional political / economic / financial heterogeneity
- Globalization of capital market infrastructure
 - Economic benefits through better allocation of capital
 - Opportunities for arbitrage & contagion

▪ **Crisis-related**

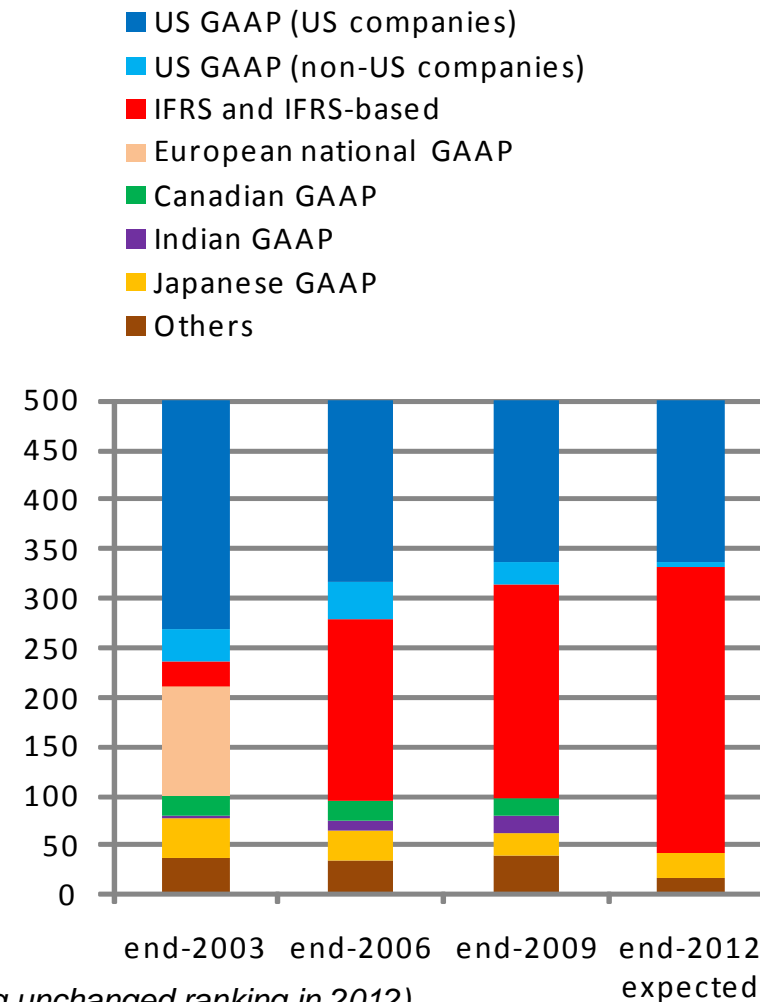
- Financial re-regulation
 - Necessary response to the crisis
 - Limits prospects for global harmonization
- Emergence of G20
 - Opportunity for bold steps
 - Politicisation of global financial policymaking



Case in point: Accounting Standards

- **Driven by investor demand**
 - e.g. Germany 1990s
- **Apparent success**
 - EU adoption 2002
 - Successful transition 2005-06
 - Subsequent worldwide adoption
- **But unresolved tensions**
 - US adoption / “convergence”
 - Governance
 - EU backlash

Accounting Standards Used by FT Global 500
Largest Listed Companies



Source: WorldScope database, author's calculations (assuming unchanged ranking in 2012)



Current Outlook

- **“Core Basel Agenda”**
- **Crisis Prevention / Management / Resolution**
- **Capital Markets Infrastructure**
- **Accounting**
- **Global Institutions**



Thank You For Your Attention

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