

## Regulatory reform at an international level – global standards but no global regulator

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Leading up to the crisis, regulatory oversight at a global level and common international standards for regulation were crucially lacking. International authorities have ruled out establishing a global regulatory body to provide this, but intend to use existing bodies to encourage tighter, more uniform regulatory standards across domestic authorities and to boost international co-operation to resolve cross-border issues. The success of this 'harmonisation' policy will impact considerably on how and when domestic and EU authorities choose to act on issues of regulatory reform.

### The emerging policy

The current strategy involves using international fora to agree detailed new rules and persuade countries to apply these international norms.

A number of bodies are involved in this process, including the G20, who took a leading political role at the 2009 Pittsburgh Summit. The IMF is also closely involved.

The Bank of International Settlements (BIS) hosts several institutions which are important for regulatory policymaking; the main ones being the Financial Stability Board (FSB – previously the Financial Stability Forum) and the Basel Committee on Banking Supervision (BCBS). Whilst the FSB is emerging as the key global forum for financial stability and macro-prudential issues; the BCBS is the long-standing forum for agreeing international capital standards (and now broader financial regulation) for banks, most notably the Basel II accord. In addition, the BIS also hosts the International Association of Insurance Supervisors (IAIS), the International Association of Deposit Insurers (IADI), the International Organisation of Securities Commissions (IOSCO) and the International Accounting Standards Board (IASB).

Click here to view our chart of [‘the new international, European and UK institutions \(under a Labour government\) and their roles’](#), which shows the new authorities involved in policymaking, rule-setting and supervision at an international, EU and UK level with a description of their respective roles and how they would interact and co-operate.

### The expected impact

International developments will impact on financial institutions in two ways; firstly, by setting the agenda and pace of EU and domestic reform. Many of the new rules proposed by the UK authorities are dependant on international agreement. This means that the UK cannot dictate policy and has to negotiate (unless it is prepared for UK rules to be more stringent); it also delays implementation. Many of the financial reforms proposed in the Turner review and the White Papers have to be decided in international negotiations.

Secondly, some of the FSB/global-level consensus will be at a high level and will not have a direct impact on firms; some of the international bodies/for a, however, have a more direct impact. For example BCBS and IAIS.

In relation to supervision, the main impact is the drive to develop international colleges; the G20 announced (5/9/09) that over 30 supervisory colleges had been established for significant cross-border firms.

### Looking ahead

Under the G20 Framework for Strong, Sustainable and Balanced Growth, the FSB, IMF and World Bank are currently conduct an initial phase of a cooperative mutual assessment process. They propose to undertake a series of peer reviews – both thematic (as in the recent FSB reviews on compensation and risk disclosures by market participants) and country-specific (Mexico, Italy and Spain in 2010). The results of this will be published in due course. G20 leaders are due to meet at further summits in June and November 2010.