



New Bruegel Essay

'Testing Times for Global Financial Governance'

By: **Ignazio Angeloni**

Bruegel's latest addition in its essay and lecture series examines the long-term developments that can be expected in the financial market regulation and supervision following the current financial crisis.

Based on his own personal views and experience, **Ignazio Angeloni** believes that the increase in financial interdependence in recent decades has not been matched by sufficient progress in the international coordination among regulatory authorities. Financial market regulation and supervision have remained predominantly national, with very little international coordination, leading to inefficiencies and excessive risk taking. **The international financial system has suffered from insufficient globalisation of regulatory and supervisory policies, not excessive globalisation of financial markets.** The financial crisis deepens this conflict, calling for yet more coordination of financial policies, if not delegation in part to supranational institutions. This need is stronger for large financial conglomerates operating cross-border.

Angeloni argues that in fact one of the consequences of the crisis may be precisely this outcome, namely to convince governments and regulators of the need to set up appropriate coordinating practices. The role assumed by the Financial Stability Forum (FSF) in stimulating and coordinating the regulatory response to the crisis by all major global financial authorities hints at this. By contrast, a similar progress does not seem to be happening in Europe as yet. **European discussions on the supervision of large pan-European banks are stalled, while recently the FSF has been able to define, promote and monitor a coordinated response to a series of regulatory challenges raised by the financial crisis.**

Whether an enhanced coordination at the global level represents a lasting trend is unclear yet; much will depend on whether the political support behind it will be maintained once the emergency is over. **The informal coordination arrangements experimented during the crisis will need to evolve into more stable and lasting institutions.**

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