



Global Financial Regulation: Convergence or Divergence?

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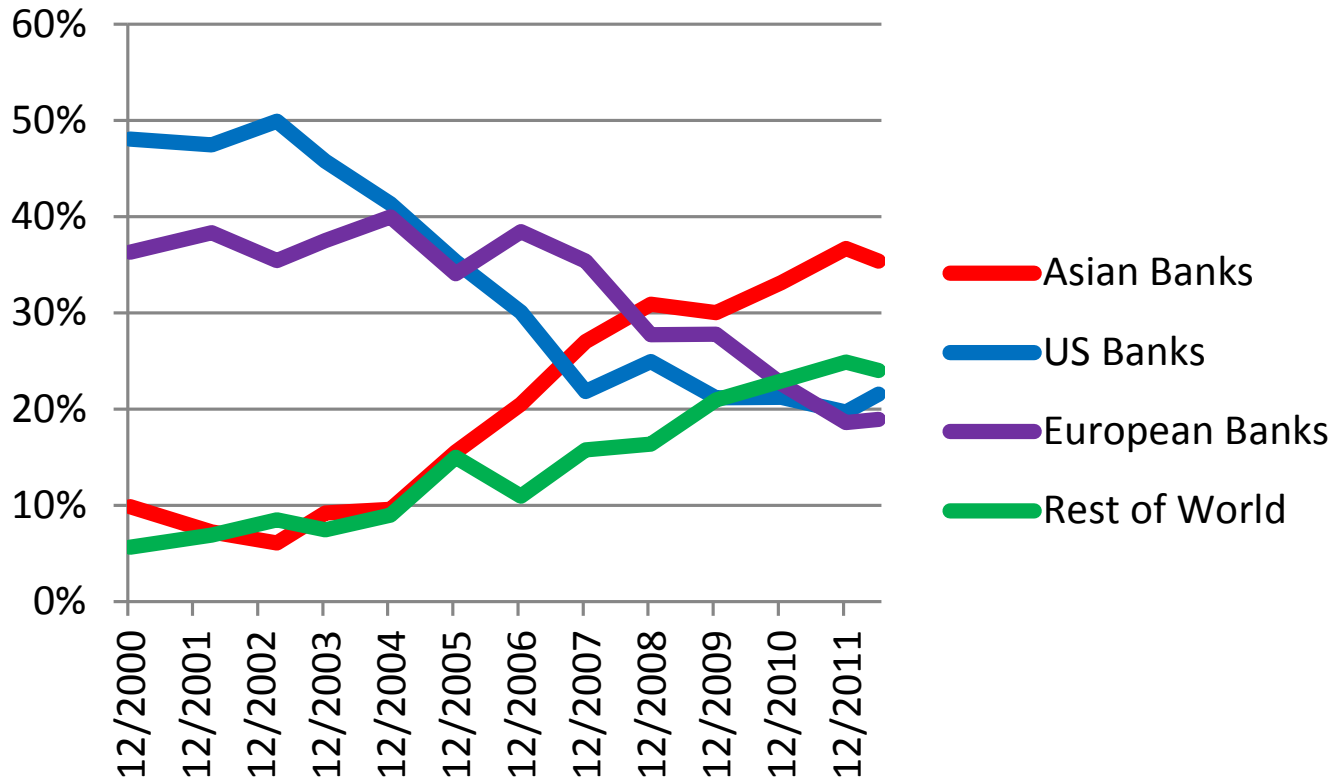
Asia Europe Economic Forum

Brussels, January 22, 2013



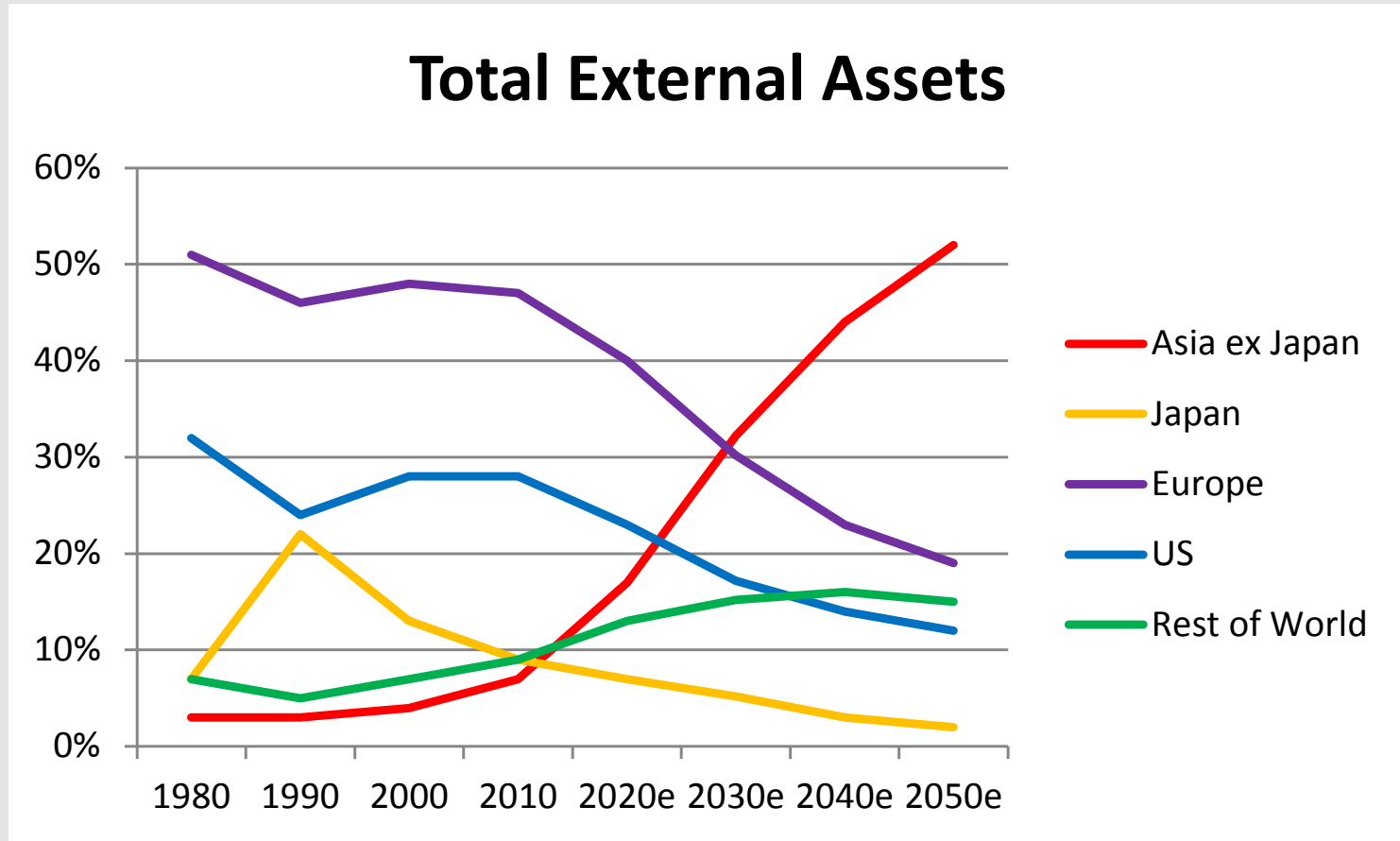
A Multipolar Financial World...

Share of Aggregate Market Value





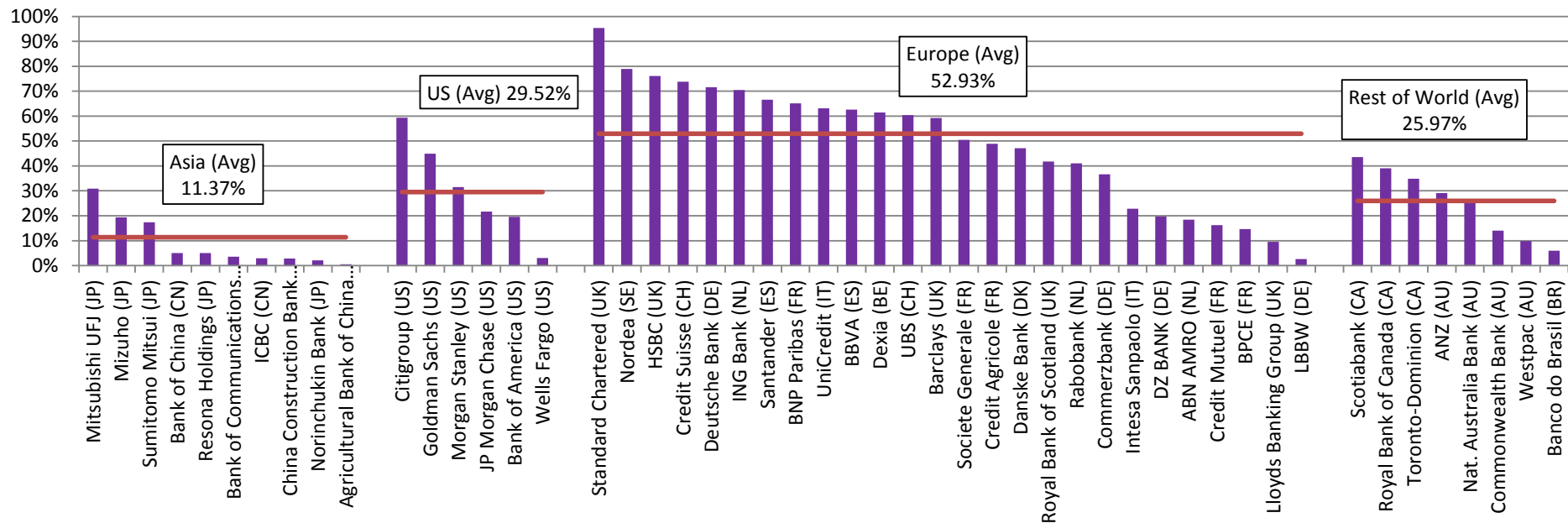
... Also in Terms of Cross-Border Flows...



Source: Andrew Haldane, "Global Imbalances in Retrospect and Prospect," speech at the Chatham House Global Financial Forum, 3 November 2010

... Even as Cross-border Intermediation Remains Mostly “Western” (and Japanese)

Share of Revenue Outside of Home Country, 2010



Sample: World's 50 largest banks by 2011 Assets (from The Banker database).

Source: 2010 annual reports, author's calculations



Global Bodies: “Institutional Mismatch”

Institution	Nationality of Non-Exec. Chair	Nationality of Chief Executive
BIS	French	Spanish
Basel Committee	British	Australian
CGFS	American	German
CPSS	British	German
Financial Stab. Board	Canadian	Norwegian
IAIS	Australian	Japanese
IASB	French	Dutch
IMF	-	French
IOSCO	Japanese	British
OECD	-	Mexican
World Bank	-	American

*Sample: FSB and its 10 members with a global (supraregional) constituency.
Source: websites / reports as of September 2012*



Global Financial Policy Framework

- **First G20 Summits (Washington, London, Pittsburgh)**
 - Strong involvement of principals
 - “London-Pittsburgh Doctrine”: financial regulation is [for the most part] a global agenda
 - “Global Problems Need Global Solutions”
 - Significant breakthroughs
 - Basel III, derivatives clearing, rating agencies, resolution regimes
- **Current Status**
 - Partial divergence of priorities (European crisis)
 - Weak coordination on high-profile political initiatives
 - e.g. Volcker / Vickers / Liikanen / Moscovici
 - Mostly delegation to FSB on more “technical” issues
 - and implementation monitoring: e.g. Basel Committee; IASB (?)
 - Limited progress on cross-border supervision/resolution



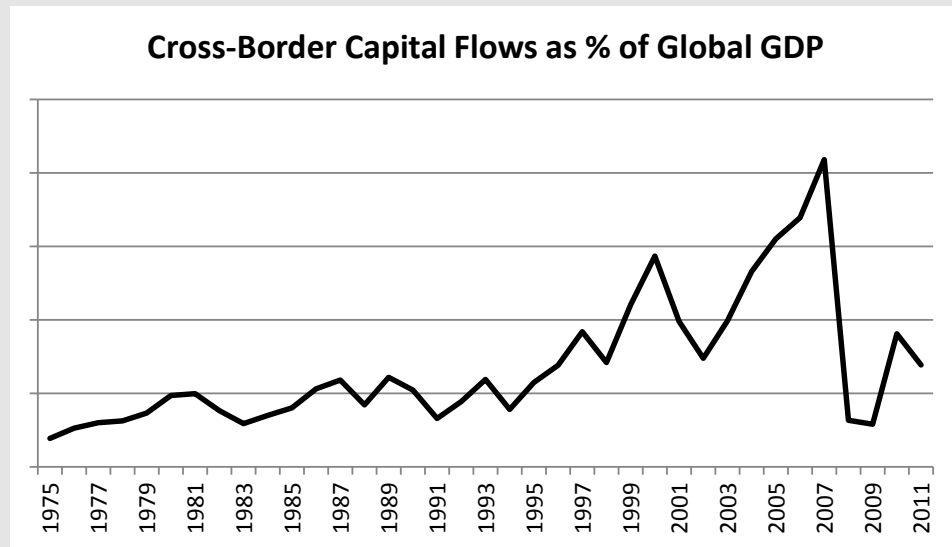
Financial Regionalism?

- **Financial policy integration in Europe**
 - European Supervisory Authorities 2011 (EBA, ESMA, EIOPA)
 - Single Supervisory Mechanism 2013-14 (hosted by ECB)
 - “Single [regulatory] rulebook” + “single [supervisory] handbook”
 - Question mark: UK vs. rest of EU
- **Asian initiatives**
 - Chiang-Mai Initiative (M) / creation of AMRO (2011)
 - ASEAN rhetoric on financial regulatory harmonization
- **Financial regulation in regional trade negotiations?**
 - Trans Pacific Partnership / Transatlantic discussion?



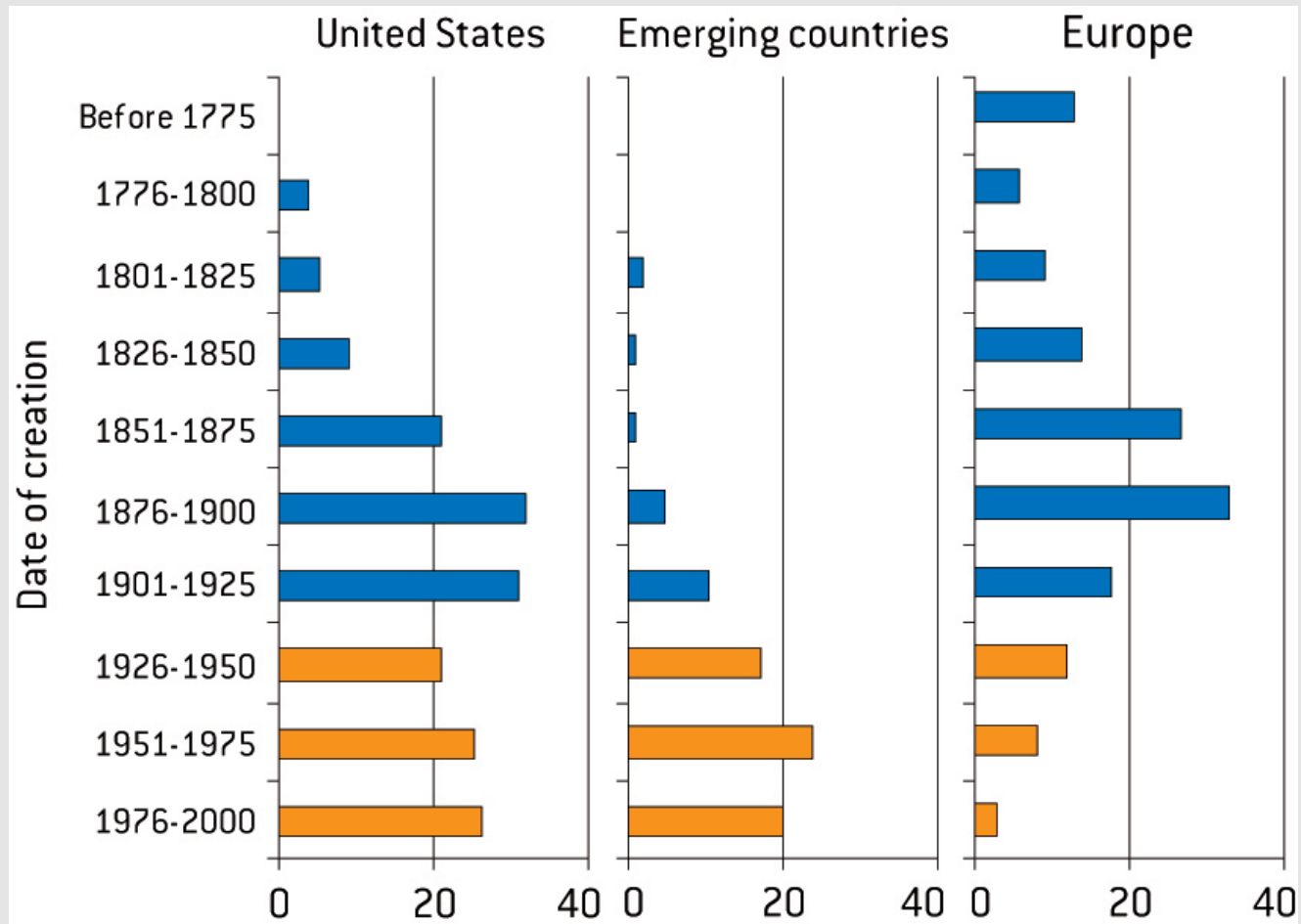
Financial Deglobalization?

- **Financial infrastructure fragmentation?**
 - Tangible (e.g. clearing houses) and intangible (e.g. CRAs, auditors)
- **Ring-fencing of global financial intermediaries**
 - Impact on financial stability depends on stress scenarios
 - No consensus on growth impact
- **Financial disintegration?**
 - Eurozone crisis
 - no clear global trend





High-Growth Firms: A Comparison



FT Global 500 companies in each age category, based on the end-Sep. 2007 ranking.

Source: 'The Demographics of Global Corporate Champions', Bruegel Working Paper, July 2008 9



Different Challenges

- **United States**
 - Focus on financial stability
 - While keeping / strengthening financial development
- **Europe: multiple challenges**
 - Financial development: non-bank finance, high-growth firms
 - Financial stability: TBTF, banking concentration at national level
 - Ongoing crisis management / future of Eurozone
- **Large emerging economies**
 - Focus on financial development
 - While keeping financial stability
 - memories of late-1990s Asian crisis



Implications for Asia(ns)

- **Domestic financial reform / liberalisation**
 - in most “large” countries including China and India
- **Interest in effective global financial governance**
 - “West” can no longer be relied upon to maintain open global order
 - Regional alternatives unlikely
 - Liu Minkang article Oct 2010
- **Need to correct “institutional mismatch”**
 - Political obstacles in both “West” and “Asia”



Thank You For Your Attention

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