

New Financial Regulation

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The views expressed in this presentation are those of the author and do not in any way reflect the opinion of the CSG of the EU

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User; 09/09/2010

Structure

A world map in shades of blue is centered on the slide, showing the continents of North America, South America, Europe, Africa, Asia, and Australia. The map is overlaid on a dark blue background with a subtle grid pattern.

- **Financial services**
- **Crisis**
- **New regulation in EU**
- **Global financial regulation**

A world map in shades of blue, centered on the Atlantic Ocean, with a grid of latitude and longitude lines. The map is set against a dark blue background.

1. Financial services

Aim and structure

- Functioning of economy: allocation of capital, effectiveness
- Banking
- Securities
- Insurance
- Infrastructure, retail, payment, CRA

Dimension - EU

Banks: 337 % GDP (42 T euro)

Insurance: 41 % GDP (5 T euro)

Invest Funds: 39 % GDP (5 T euro)

Pension funds: 14 % GDP (2 T euro)

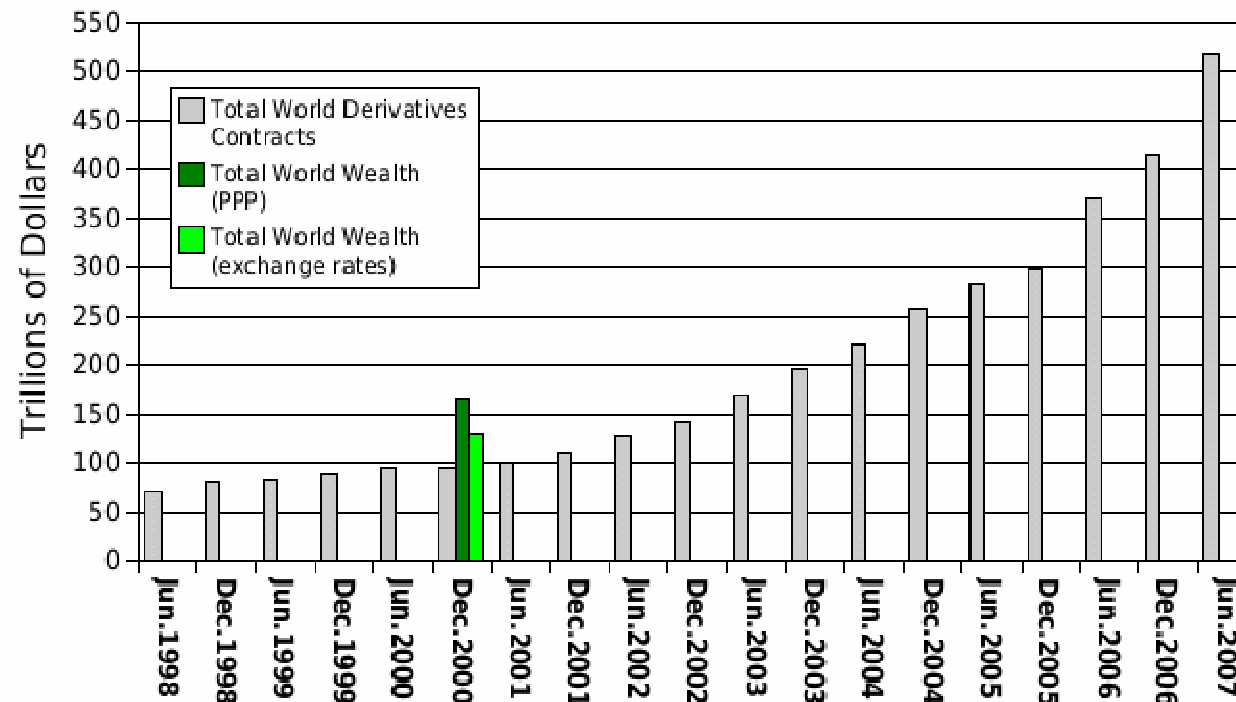
GDP EU = 12,5 T euro

Derivative markets - world

- Derivative - financial instrument-value -future price of underlying asset—share, currency.
- OTC Over-the-counter - 600 T USD (before crisis – 700T)

Derivatives

World Wealth vs World Derivatives 1998-2007



A world map in shades of blue, overlaid with a grid of latitude and longitude lines. The map is centered on the Atlantic Ocean, showing the Americas on the left and Europe, Africa, and Australia on the right. The text is centered over the map.

2. Economic Crisis: parametres

Crisis: Economic Growth

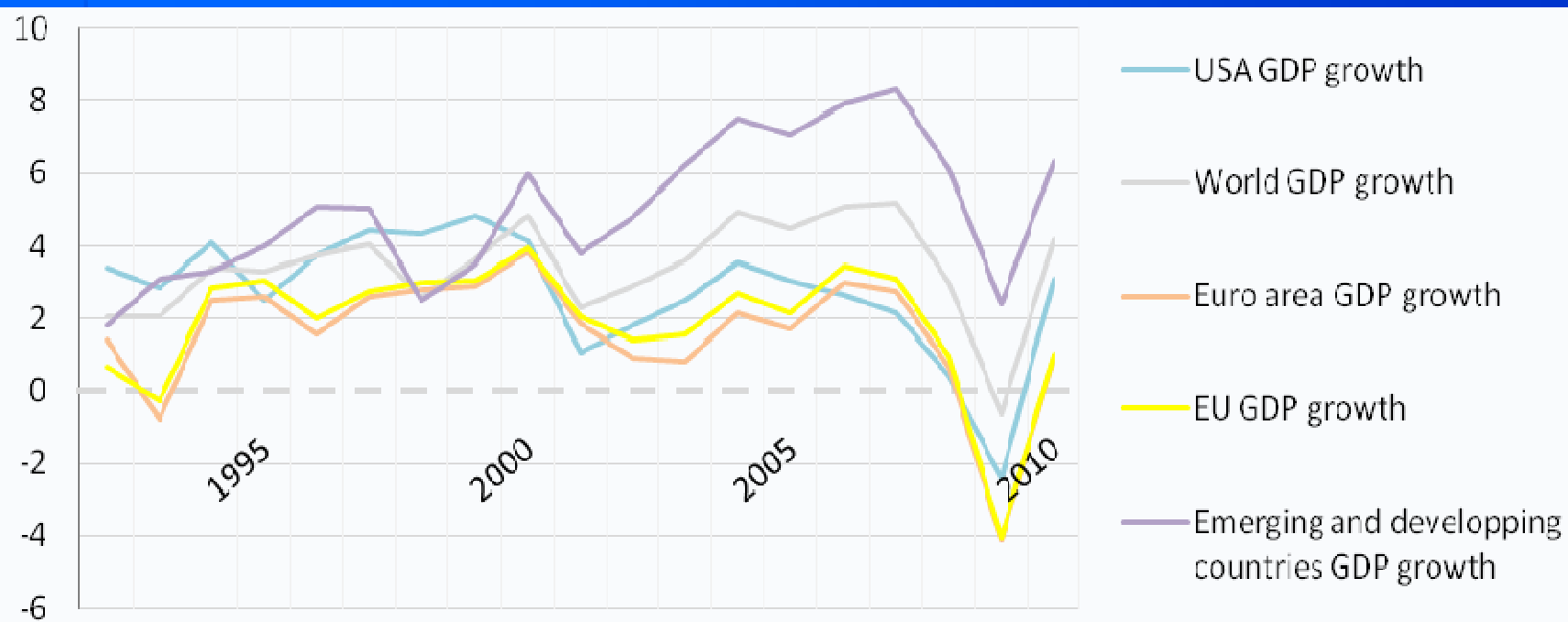
**Emerging
&
Developing
Economies**

World

**Advanced
Economies**

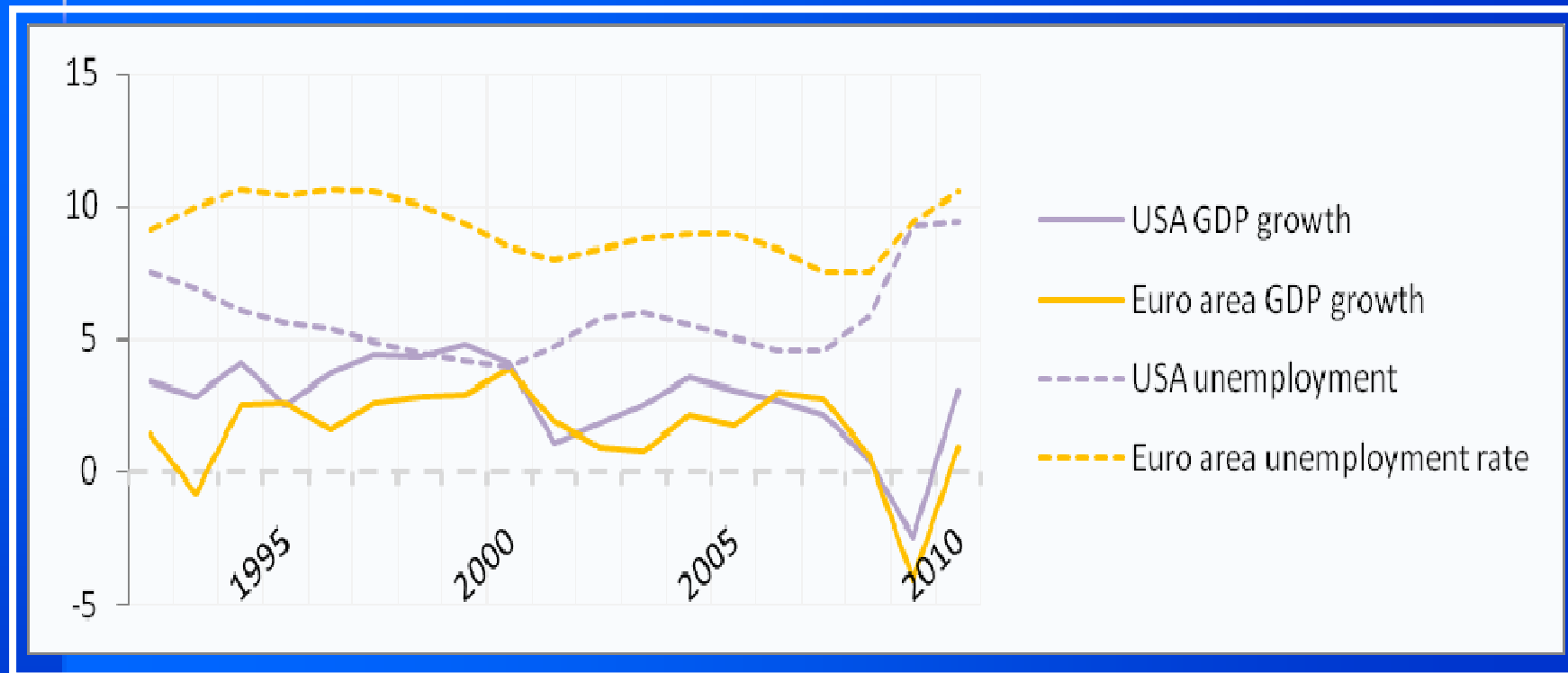


Crisis: Global imbalances (current account balance in % GDP)



Source IMF 2010

Crisis: Unemployment rate



Source: IMF 2010

A world map with a grid of latitude and longitude lines, rendered in a light blue color against a dark blue background. The map is centered on the Atlantic Ocean.

3. New regulation in EU

Elements of Banking System Rescue Plans in European Countries

Country	Expansion of retail deposit insurance	Guarantee of wholesale liabilities		Capital injections	Asset purchases
		New debt	Existing debt		
Austria	X	X		X	
Belgium	X	X			
Denmark	X	X	X		
Finland	X				
France		X		X	
Germany	X	X		X	X
Greece	X	X		X	
Ireland	X	X	X		
Italy		X		X	
Portugal	X	X			
Spain	X	X		X	X
Sweden	X	X		X	
Switzerland				X	X
United Kingdom	X	X		X	X

Source: Fender, Ingo, and Jacob Gyntelberg, Overview: global financial Crisis Spurs Unprecedented Policy Actions, *Quarterly Review*, Bank for International Settlements, December 2008, p. 11.

a) Stability measures

- Capital levels: risk based
- Crisis resolution and management (state aid in EU: 13% GDP)
- Credit rating agencies
- Supervision

Cont. Supervision

- European Systemic Risk Board
- 3 ESAs
 - Banking authority (EBA)
 - Insurance and Occupational Pensions (EIOPA)
 - Security and Market (ESMA)
- National supervision

b) Transparency

- Undertakings for Collective Investments in Transferable Securities (UCITS) implementing measures
- Alternative Investment Fund Managers (AIFM) Directive
- Short selling
- Derivatives – legislation on market infrastructure
- UCITS depository function
- Single European Payments Area (SEPA)
- Improvements to the Markets in Financial Instruments Directive (MiFID)
- Fin. Auditing and accounting

c) Responsibility

- Corporate governance
- Remuneration
- Bank levy/Resolution funds:
coordination
- Transaction tax

d) Consumer protection

- Depositors
- Responsible lending
- Financial inclusion payments
- Retail investment products

EU- Who does what?

★ **European Council**

Council

★ **European Parliament**

Eurogroup

European Central Bank

**Toward New European
Governance?**

New!

- European Banking Authority
- European Systemic Risk Board (ESRB)
- European Securities and Markets Authority (ESMA)

A world map in a light blue color, centered on the Atlantic Ocean, set against a dark blue background with a white grid of latitude and longitude lines. The map shows the continents of North America, South America, Europe, Africa, Asia, and Australia.

4. Global financial regulation

G20

IMF

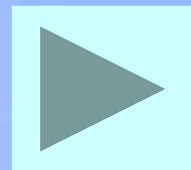
BASEL

WB

WTO

FSB

IASB



Leaders

Argentina

Australia

Brazil

Canada

China

South-Korea

India

Indonesia

Japan

Mexico

Russia

South-Africa

Saudi Arabia

Turkey

US - EU

France

Germany

Italy

UK

Guests

Spain

Ethiopia

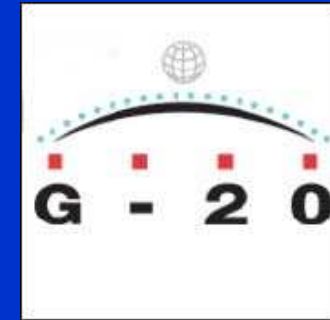
Malawi

Singapore

Vietnam

Netherlands?

G20 – to global governance



Members:

G20 Leaders

G20 Finance Ministers /Central Banks

Agenda:

- Washington Nov 08: Ready to work together
- London Apr 09: Resources and money
- Pittsburgh Sept 09: New rules
- Toronto June 10: Beginning of implementation
- Seoul Nov10: **and now?**

Mandate still non-treaty based group:

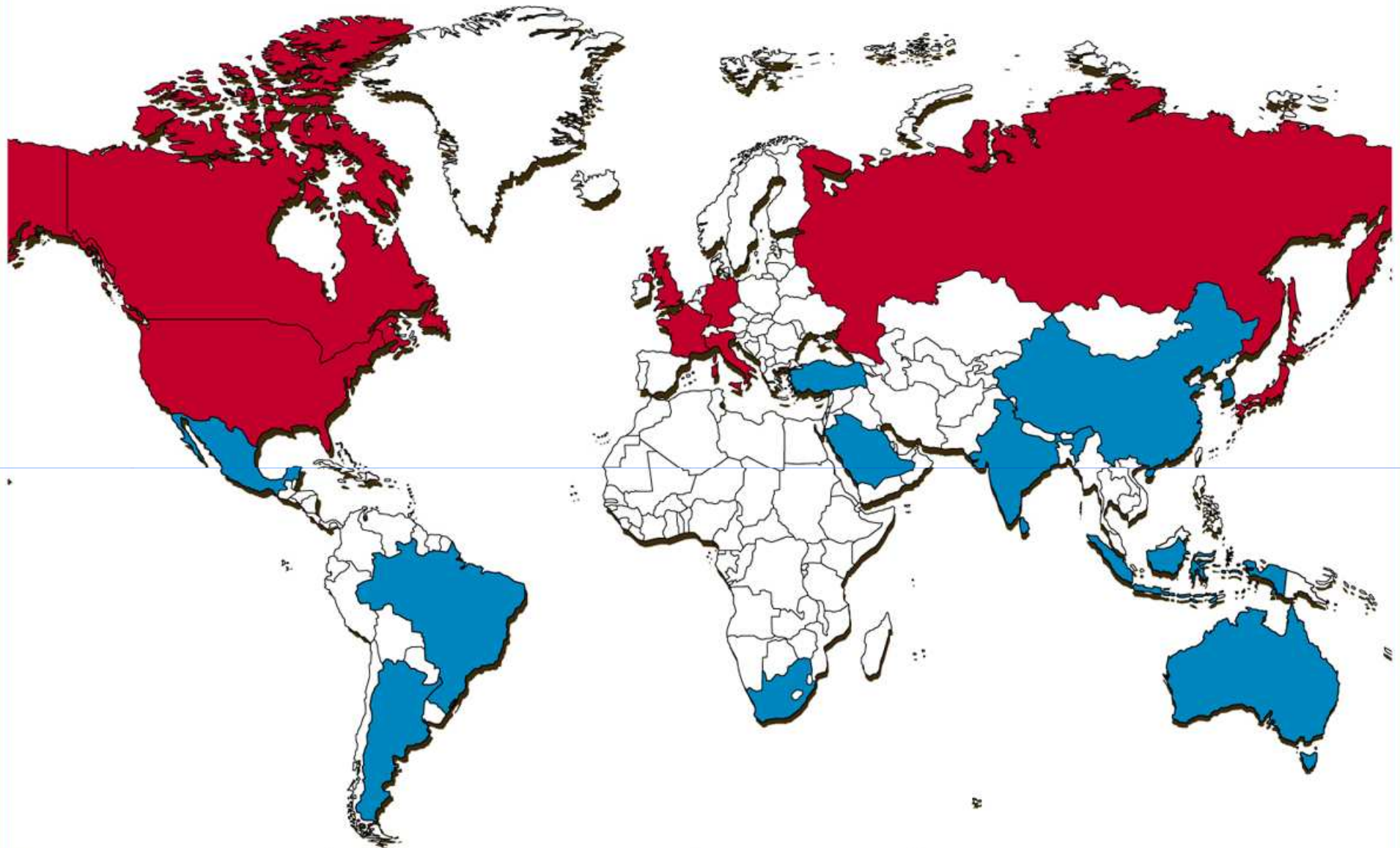
Financial and Economic issues
(Development?)

Response to the crisis through coordinated actions

Towards a better integrated
financial approach and a strong,
balanced and sustainable growth

- Strong, Balanced and sustainable growth (Mutual Assessment Process)
- International Finance Regulation
- Reforms of the IFIs

From G8 to G20



- G8 member states (including EU institutional representation)
- G20 additional member states

FSB- Coordination to Stability

Members:

National Authorities from significant national centers

International financial institutions

Regulators and supervisors

Experts from Central Banks

Agenda:

Post crisis measures: impact assessment

Mandate:

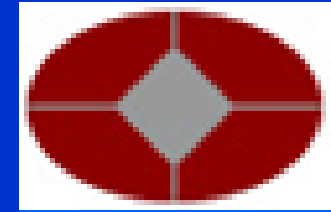
- Asses vulnerabilities of financial system
- information exchange
- Coordinating actions for healthy markets
- Early warning exercises with IMF

Coordination in a global integrated financial market

A way to stability in a post-crisis context

- List of banks with high systemic risky
- Studies on the impact of higher liquidity requirements (Basel III)
- Impact of National rescue plans

BASEL- Rules for a safe game



Members:

The Basel Committee on Banking Supervision: forum of the BIS for regular cooperation on banking supervisory matters-

135 Institutions

International Conference of Banking Supervisors (ICBS) (every 2 years)

Mandate:

Reflexion on rules for banking sector:
avoiding distortion and consumers paying- prudential rules

Agenda:

Basel I: (1988)- credit risk

Basel II: (2004)- capital allocation/
operational risk/ regulatory arbitrage

Basel III: (2010)

-Liquidity ratio

- Counter-cyclical capital buffers

**Safer banking sector /
safer global Finance**

Principles for enhancing
corporate governance

- Regular Cooperation on banking supervision
- Rules to be applied globally- distortion
- US and Basel II

New international system

- Governance
- Convergence
- Regulatory dialogues

Conclusion: elements of new financial regulation



Thank you

- Qs?